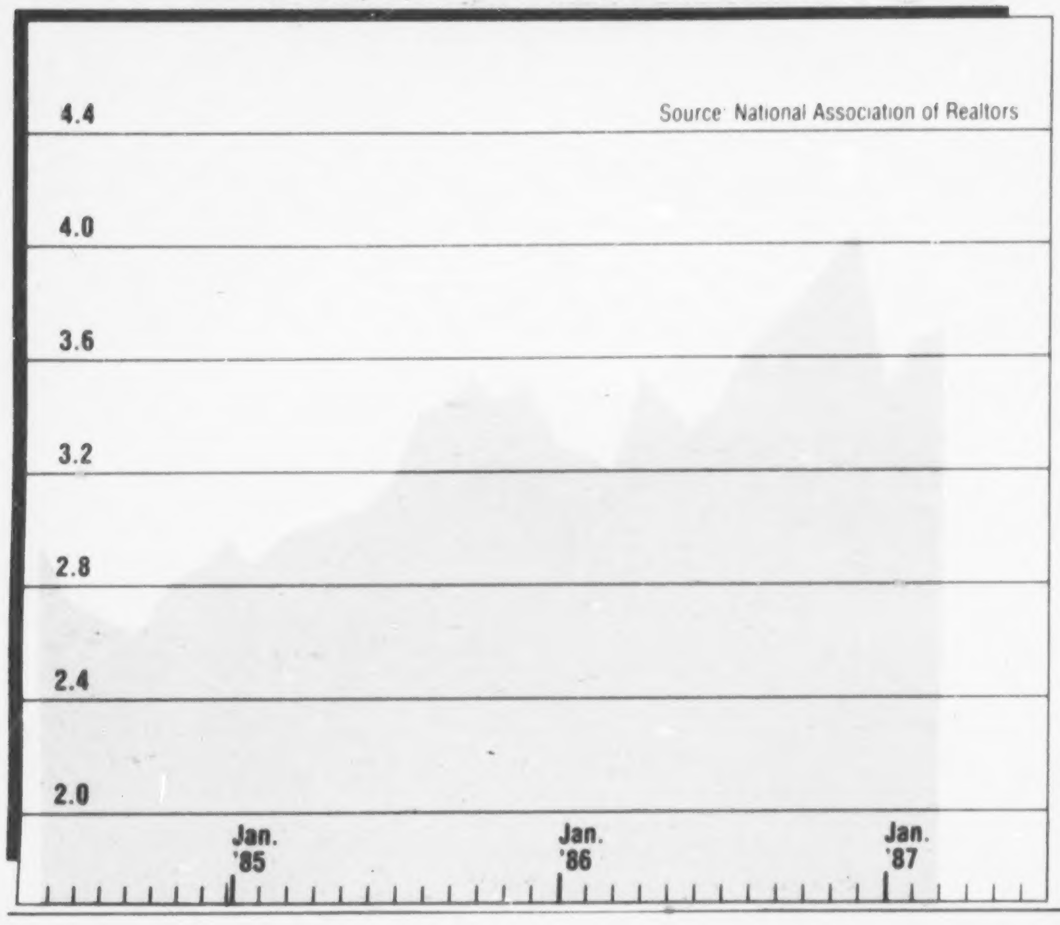
National existing single-family home sales

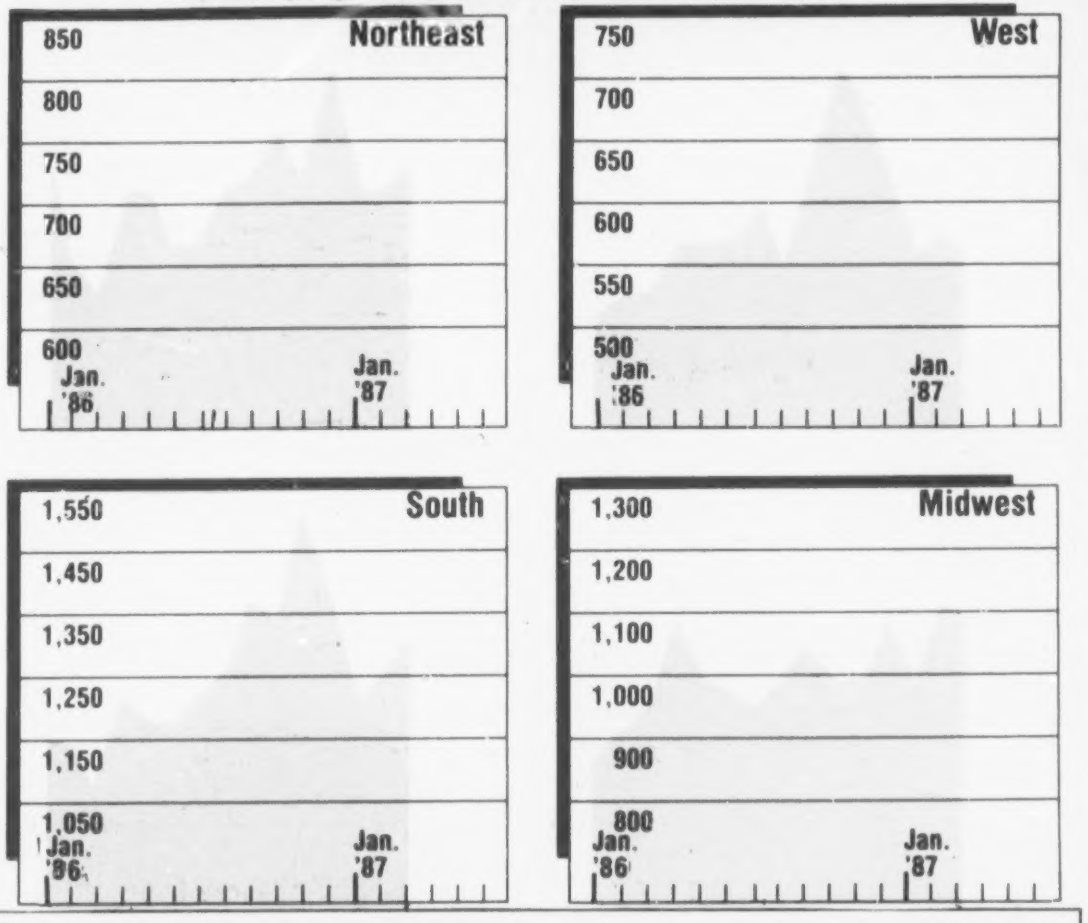
Seasonally adjusted annual rate (in millions of units)



Source: National Association of Realtors

Regional existing single-family home sales

Seasonally adjusted annual rate (in thousands of units)



Home sales gain across the country

By an NHCN staff editor

NATIONAL REPORT — Sales of existing single-family homes edged up slightly in March, the first month of the 1987 house-hunting season.

Sales rose only five-tenths of one percent in March, to 3.71 million units, seasonally adjusted, but were 14.5 percent ahead of the 1986 pace, according to the National Association of Realtors (NAR).

All four regions posted gains, the largest in the South. Sales there rose 20.5 percent from March 1986, to a seasonally adjusted annual rate of 1.31 million units.

The West had the smallest annual increase, up 3.7 percent to 560,000 units.

Compared to February 1987, the gains were more modest, ranging from 3.1 percent in the South to a 3.4 percent loss in the West.

NAR predicts 1987 will end with 3.65 million units sold, an increase of 2.2 percent from 1986, when 3.57 million existing U.S. homes were sold.

Mortgage interest rates should level off at 9.5 percent and stay there for 1987, according to housing economists. Economists are optimistic about mortgage rates despite recent—and most say temporary—increases.

In March, the effective rate for loans closed on existing single-family homes was 9.13 percent, according to the Federal Home Loan Bank Board, down from 9.21 percent in February. The March rates were the lowest since December 1977.

At press time, fixed-rate mortgages were exceeding 10 percent in most places.

The median-priced, single-family resale home cost $84,300 in March, down $700 from February but up 5.6 percent from March 1986.

Rising costs were greatest in the Northeast. Home prices rose 25.5 percent from last March, to a median $128,200, up two percent from February. Sales rose 2.8 percent in March to 730,000 units, seasonally adjusted, 14.1 percent above March 1986.

Median-priced, single-family resales fell in the South and West, to $80,800 and $100,600, respectively, in March. They rose $1,000 in the Midwest, to $68,100. The resale pace in the Midwest rose nine-tenths of one percent to 1.11 million units, up 15.6 percent from last March.

Median Sale Price

(in thousands of dollars)

	Jan.ᵖ	Dec.ʳ	Nov.	Oct.
U.S.	$ 84.3	$ 85.0	$ 82.1	$ 80.8
Northeast	128.2	125.4	108.7	109.3
South	80.8	82.1	78.7	75.4
Midwest	68.1	67.1	65.2	62.7
West	100.6	104.0	100.3	103.5

ᵖ-preliminary ʳ-revised

Source: National Association of Realtors

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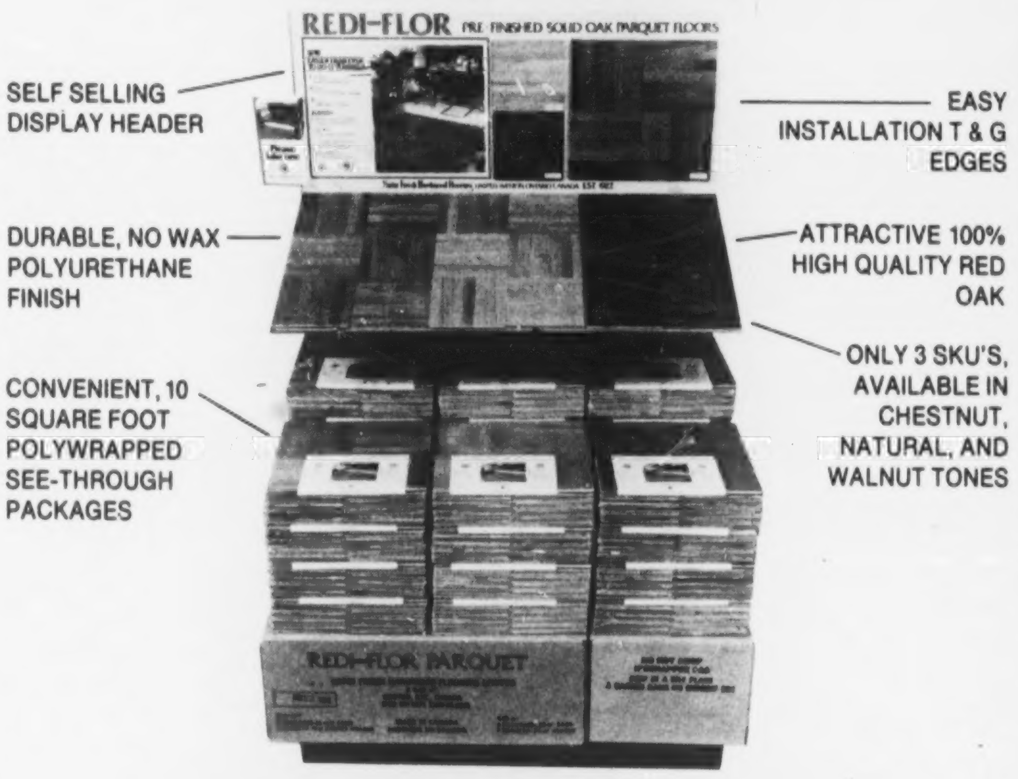
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LUMBER REPORT

Retailers, producers optimistic about pressure treated plywood

By Milford Prewitt
NHCN staff editor

NATIONAL REPORT — Some manufacturers and retailers are attempting to stimulate sales in treated lumber by designing marketing programs for pressure treated plywood.

An overlooked structural panel that has not received much media or marketing attention since its inception 20 years ago, pressure treated plywood has blossomed in demand by both contractors and DIYers within the past three years, according to retailers and producers.

Most industry players—including those in manufacturing associations—believe the sudden spurt in the marketing of pressure treated plywood is an extension of the growing demand that has attended the treated lumber category in general.

The Lowe's Companies and Hoover Wood Treated Products of Thompson, Ga., are at the forefront of a blissful manufacturer/retailer relationship to boost treated lumber demand through pos literature. Both the retailer and the manufacturer insist that not only has demand been growing, but greater sales are assured once homeowners become aware of the diversity of end-uses for treated plywood.

Terry White, structural panel and lumber buyer for Lowe's, said the retailer began stocking pressure treated plywood about three months ago and is very encouraged by consumer and contractor reaction to the product. He said in some of the company's markets, some contractors had been requesting the product even before the company made the inventory commitment.

White added that the big push is for greater homeowner sales, and to that end, Lowe's is in the early stages of preparing point-of-sale literature to highlight the plethora of jobs pressure treated plywood can fulfill.

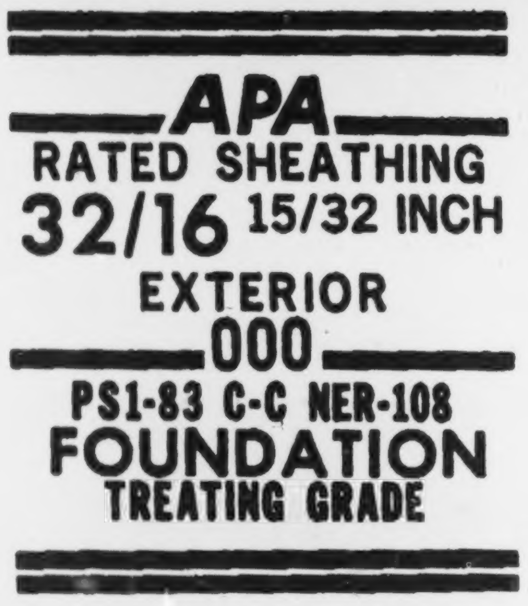
"There are 10 zillion things you can do with it," White said. "You can use it for utility sheds, kitchen and bathroom subfloors, underlayment for decks, pickup truck bed mats, garbage can decks, planter boxes, stable siding, boat docks.

"The big thing is we've got to put something out in the store to let the shoppers know."

The product retails for $3 to $4 more than untreated plywood. At Lowe's, the company prices treated plywood at $14 a panel.

Other companies, such as Knox Lumber and Georgia-Pacific, while not actively pushing the product through any kinds of literature or advertising, have nonetheless witnessed and reveled in the growing demand for pressure treated panels.

Doug Horrisburger, a lumber buyer for Knox Lumber in St. Paul, Minn., said his company has been stocking pressure treated plywood for ten years and has seen steady increasing demand annually.



The American Plywood Association has recently developed two new grades for pressure treated plywood. The APA's foundation grade, shown above, is the stamp for treated plywood that can be used in direct contact with the ground, particularly in permanent wood foundations.

"It's really a good product to stock and I don't think we would have have stuck with it for 10 years if it wasn't," Horrisburger said.

While he had no firm figures to point to, Horrisburger said the pressure treated plywood panels appears to be principally a contractor item.

At Georgia-Pacific, product spokesperson Barbara Smith could not state the quantity of treated panels the company was selling, but said the producer has also seen an increase in demand for the product.

The opportunities for sales expansion in pressure treated plywood come about two years after the Southern Forest Products Association (SFPA) launched a $1 million campaign to expand the market for southern forest products by five billion board feet. One of the targeted areas for the SFPA was permanent wood foundations in new home construction in place of concrete blocks or cement for basements.

Glenn A. Wilson, plywood marketing manager for Hoover Treated Wood Products, said the market has grown by 5 to 10 percent a year, an expansion rate that led his company to treat more than 25 million square feet of plywood last year.

Hoover trademarks its pressure treated panels with the name, CCA Outside PlyWood, a label that simultaneously identifies the preservative used and recognizes the company's parent, PlyGem Manufacturing.

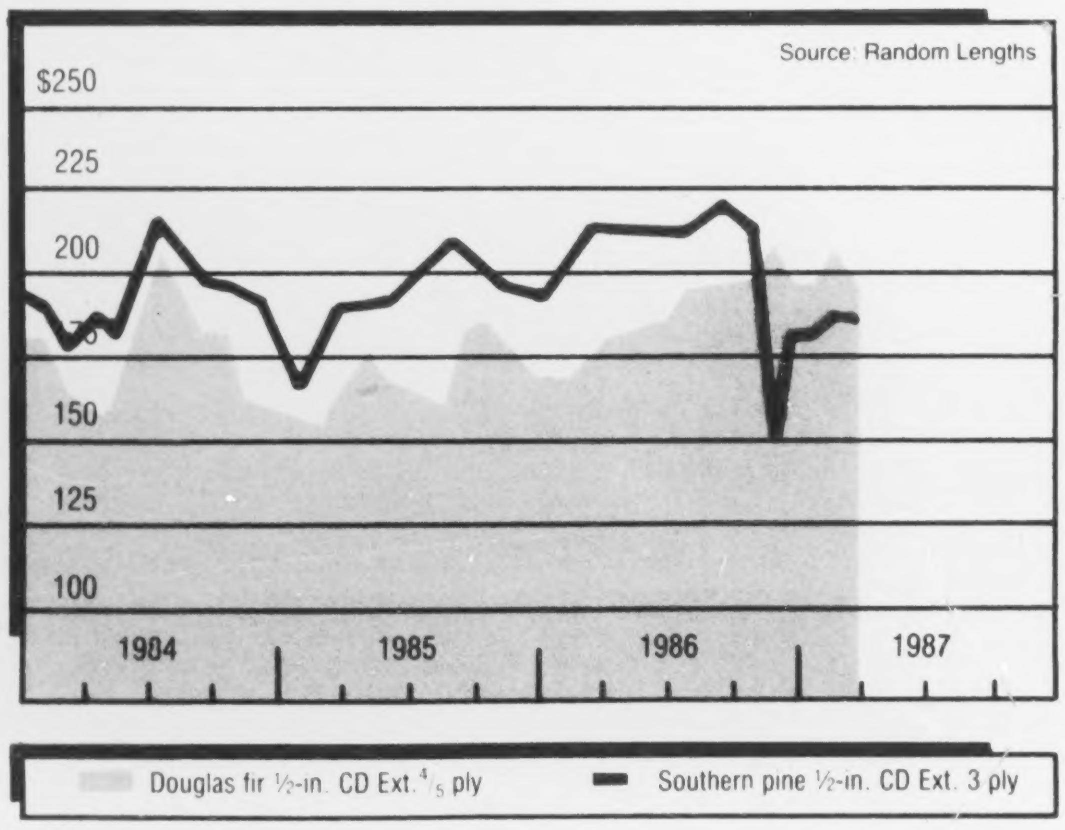
In an effort to cater to homeowners, Wilson said the company is primarily treating C-C, or better graded plywood rather than lower graded CDX.

Wilson explained that plywood with both faces having a clean veneer will appeal to consumers who might be concerned lesser grades with too many knotholes.

In addition, Hoover is treating its panels with 0.40 pounds of Copper Chromium Arsenic (CCA) per cubic foot. This percentage of preservative allows the company's panels to be stamped with the American Plywood Association's foundation stamp which tells contractors and other users that the product can be used in direct contact with the Earth or water. Below 0.40 pounds per cubic foot and most panels lose the foundation grade stamp since they cannot resist moisture rot and, therefore, must be used above ground.

Commodity close-up

Western and Southern Plywood
Average monthly mill prices
(per thousand board feet)



Since dropping at the end of 1986, plywood prices have been topsy-turvy. Douglas fir ½-inch CD Ext. 4/5 ply was $217 a thousand square feet in September. It ended the year at $194 a thousand square feet before leveling out in March at $198. Southern pine ½-inch CD Ext. 3 ply dropped from $190 a thousand square feet in September to a low of $150 in November. But prices rebounded for the Southern panels in March to $184 a thousand board feet.

National Home Center News • Section Two

Perspectives

The NHCN Annual Report on the Home Center Industry Part Two

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CO-OPS LOOK TO BUILDING

By John Caulfield
NHCN staff editor

NATIONAL REPORT — Hardware wholesale buying groups dove into the uncharted waters of building material distribution last year, as they attempted to capture a larger share of the independent retail market and, perhaps more importantly, provide more meaningful and competitive product assortments to their dealer-members.

The motive behind this shift towards broader distribution is obvious: In a market whose independent dealer universe is shrinking by attrition, the co-ops have to find new ways to grow their businesses.

Last year, the number of dealers affiliated with the 17 largest buying groups actually declined by 16 units to 25,355. Sales, on the other hand, rose 11.4 percent to $7.365 billion, the first time this group of companies has cracked the $7 billion barrier.

Of those totals, the top six companies accounted for $5.87 billion, a 10.8 percent gain over 1985, and served a total of 20,666 dealer-members.

And it appears much of this growth came from an expansion of lumber and building materials distribution, or the initiation of such programs.

Ace's new program

For example, American Hardware Supply, the Butler, Pa., co-op, enjoyed the greatest percentage increase of any of the hardlines-oriented buying firms. According to company officials, this growth was attributable in part to an arrangement American has struck with Georgia-Pacific to distribute a variety of G-P's commodities. Consequently, American's sales of lumber and building materials, as a percentage of its total volume, rose to 36 percent from 30 percent in 1985.

The impact of this arrangement with G-P is even more evident when one sees that American's gross sales for its fiscal year ended June 1986, were up only 7.8 percent to $685.5 million.

Another example was Ace Hardware, the industry's second-largest co-op, which introduced its first full-line commodities distribution program to dealers at its fall buying show last year.

For the moment, the Oak Brook, Ill., co-op is subsidizing this program through discounts, and it's too early to tell how successful it will be. But Ace has been extremely aggressive in converting its dealers to its "Store of the Future" retrofit, and this commodities program should serve to augment that effort.

The most publicized example of this blending of hardlines and building products was the attempt by Coast to Coast, the Denver-based franchised buying group, to merge with Builder Marts of America (BMA), the $650 million dealer-services organization in Greenville, S.C., which supports 1,725 stores. That deal, however, fell through earlier this year.

Co-ops thriving

That hardware-oriented buying groups want a piece of the commodities action is not surprising, given the strength of the housing and remodeling markets and the robustness of those companies specializing in trading building products.

"Last year was a banner one for us, the largest we've ever had," said Paul Dodge, BMA's dealer services president. "When the market is strong, it allows more of our dealers to buy in large quantities, which is what we specialize in."

Other building materials co-ops also thrived: Central Builders Supply, the Sturgis, Mich.-based group which last year offered its members a store-to-headquarters communications system, increased its sales a whopping 41.3 percent; ENAP, based in Newburgh, N.Y., and Progressive Affilated Lumbermen, grew almost 30 percent.

Even in the oil patch, where making money is tantamount to divine intervention, some building products distributors fared better.

"The market has certainly deteriorated, but as far as we're concerned, we improved our efficiency, and had real growth of 10 percent," said Laddie Woods, president of Allied Building Stores in Monroe, La..

It appears that several co-ops concentrated their efforts on improving profits, not the least of these being Cotter & Co., the industry's largest buying group.

Despite the addition of two distribution centers last year, Cotter's warehouse and general administrative costs rose

Top Hardware, Lumber & Building Material Buying Groups

Rank		COMPANY	SALES Total sales (mil. $)			SALES Lumber & Building mat'ls as a % of sales		STORES Dealer stores		STORES No. of home centers		STORES HC sales as % of total		INVENTORY ANALYSIS No. of warehouses (tot. sq. ft.)	INVENTORY ANALYSIS Min./max. inventory (mil. $)		Stock keeping units		Sales to inventory ratio		% of sales from drop shipment		CHARGES % charges to dealers out of: • warehouse • pool relay • drop ship		EMPLOYEES No. of employees
'86	'85		'86	'85	% chg.	'86	'85	'86	'85	'86	'85	'86	'85	1986	'86	'85	'86	'85	'86	'85	'86	'85	'86	'85	1986
1	1	**Cotter & Co.,** Chicago	1,734	1,700	2.0	6	5	7,100	7,000	1,600	1,500	30	30	15 (6.5 mil.)	236	169	32,000	32,000	6.0	4.9	41	25	5-15 6 2	5-15 6 2	3,700
2	2	**Ace Hardware,** Oak Brook, Ill.	1,061	1,009	5.2	5	5	4,866	4,710	1,600	1,600	41	41	13 (4.7 mil.)	120-165	105-145	39,000	39,000	5.3	5.4	32	32	10 6 0-2	10 6 0-2	2,200
3	3	**American Hardware Supply,** Butler, Pa.	842	688	22.4	36	30	3,700	3,700	1,463	1,405	47	40	6 (1.8 mil.)	60-73	53-63	34,000	34,000	5.0	5.0	27	27	5-15 6-10 0-3	5-15 10 0-3	1,000
4	5	**Lumbermen's Merchandising Corp.,** Wayne, Pa.[1]	800	658	21.6	80	80	575	550	50	50	45	45	None	—	—	—	—	—	—	—	—	—	—	130
5	3	**Hardware Wholesalers Inc.,** Fort Wayne, Ind.	783	688	13.8	30	30	2,700	2,650	1,650	1,600	50	50	5 (1.9 mil.)	48-63	46-55	35,000	35,000	13.0	13.0	50	54	no adder up depending on cost of handling		715
6	6	**Builder Marts of America,** Greenville, S.C.[2]	650	555	17.1	75	75	1,725	1,610	254	240	10	10	None	—	—	—	—	—	—	—	—	—	—	197
7	7	**Coast-to-Coast,** Denver, Colo.	336	313	7.3	NA	NA	1,050	1,075	NA	NA	10	10	3 (1.1 mil.)	50	50	28,000	28,000	NA	NA	10	10	NA	NA	950
8	8	**Central Builders Supply,** Sturgis, Mich.	223	158	41.3	100	100	508	508	200	125	80	80	None	—	—	—	—	—	—	—	—	—	—	45
9	9	**ENAP,** Newburgh, N.Y.	192	148	29.7	100	100	127	118	95	89	85	85	None	—	—	—	—	—	—	—	—	—	—	42
10	10	**Allied Building Stores,** Monroe, La.	131	123	6.5	80	80	160	150	35	30	25	25	1 (65,000)	1.2	1.2	4,500	4,500	10.0	10.0	90	92	4.5 NA 8-10	4.5 NA 8	50
11	12	**Philadelphia Reserve Supply,** Croydon, Pa.	130	100	30.0	90	100	186	180	150	144	70	70	2 (90,000)	1.7-4	1.7-4	2,000	2,000	7.0	6.0	80	75	17-20 8-10 2.5	17-20 8-10 2.5	42
11	11	**Progressive Affiliated Lumbermen's,** Grand Rapid, Mich.	130	100	29.5	100	90	213	191	210	189	100	95	None	—	—	—	—	—	—	—	—	—	—	18
13	12	**Our Own Hardware,** Burnsville, Minn.[3]	121	151	−19.9	12	10	1,200	1,696	400	625	33	43	2 (800,000)	15-21	12-17	33,000	35,000	5.0	5.3	28	32	7-11 6 2	7-11 6 2	350
14	14	**United Hardware Distributors,** Minneapolis	91	93	− 2.5	NA	NA	501	544	30	30	5	5	1 (420,000)	10-15	10-15	33,000	33,000	6.2	6.4	13	12	2-11 6 1	2-11 6 1	280
15	15	**Independent Builders Supply Assoc.,** Smithfield, N.C.	85	73	17.4	85	85	93	91	64	64	65	70	None	—	—	—	—	—	—	—	—	—	—	11
16	17	**Handy Hardware Wholesalers,** Houston	46	43	6.7	20	20	592	546	135	135	25	25	1 (200,000)	6.5-7.5	5-6	20,000	19,000	6.0	6.0	22	23	9 5 1	9 5 1	116
17	18	**Connecticut Hardware Co.,** Cromwell, Conn.	10	9	5.3	0	0	59	52	5	5	5	5	1 (35,000)	1.5	1-1.3	32,000	30,000	6.2	6.2	35	35	NA	NA	16

[1] ELMCO's totals are *NHCN* estimates
[2] Builder Marts is an employee-owned dealer services organization
[3] Our Own Hardware merged with Gamble's in January 1986
NA—not available

Source: Company data, *NHCN* research, chart

MATERIALS FOR GROWTH

only six percent to $148.7 million, while its net income jumped 6.8 percent to $71,192,000.

"We thought 1986 came across pretty well and that our bottom line was a lot better because of cost containment," said Ray Grymski, Cotter's controller.

Merlyn Brinkman, treasurer for United Hardware Distributing in Minneapolis, also spoke of a strengthened bottom line, despite most of United's dealers being in the depressed Farm Belt.

Even for Our Own Hardware, which in January 1986 merged with Gamble's and then began an extensive pruning process, 1986 "was excellent, and extremely profitable," said senior vp Jim Weyrens. "Essentially we stopped servicing a lot of dealers that couldn't be said to be in business anymore. And our sales in the first quarter this year were up 18 percent."

Economic stability among the buying groups belied the degree of change that occurred in the industry.

Some of the more noteworthy news last year included:

- Ace's election of a new president, Roger Peterson, to replace long-time employee Larry Gavin, who left this post on August 4, 1986. Ace also appears to be moving into a new phase, updating its logo and airing TV commercials that are more institutionally focused.

Ace had the greatest increase in membership last year, gaining a net of 156 new members.

- American purchased Speer Hardware, a Fort Smith, Ark., distributor with 1986 sales of $5 million. And more than 600 dealers took on American's "ServiStar" logo.
- Allied moved into a new 12,000-square-foot office, and has at least six dealers converting to its new retrofit program.
- While the rest of the co-ops kept their drop-shipping on an even keel, Cotter saw drop shipment business increase dramatically and account for 41 percent of total volume.
- Overall, the number of home center-type stores affiliated with the leading co-ops grew by about four percent to 7,941 units. This increase is a reflection of the various store remodelings that many co-ops have been marketing to members to bring a wider variety of merchandise into stores.

Hardware Wholesalers Inc., the Fort Wayne, Ind., group, currently gets half its sales from these home improvement members; ENAP, which basically services small lumberyards, now gets 85 percent of its business from these type operations.

- The national marketing groups whose members include most of the larger independent hardlines wholesalers in the country saw their aggregate sales volume increase only marginally to $3.705 billion in 1986, led by Liberty Distributors whose members' sales rose to $890 million.

Pro Hardware, the Stamford, Conn., group, was the only company to suffer a decline in sales volume, due mainly to the aftermath of Belknap's liquidation and to the loss of member Blish Mize, the Atchison, Kan., distributor that switched to Sentry Hardware.

However, even Pro's horizon looks brighter, according to its president Gary Cosgrave, who reports that Pro enjoyed a "banner" first quarter, 1987. Pro has convinced about 46 percent of its affiliated dealers to convert to its in-store retrofit and merchandising program.

Leading Public Home Center Suppliers

Company	Sales* (in $ bil.)	% chg. over 1985	Earnings (in $ mil)
3M	8.602	9.6	779.0
Weyerhaeuser	7.234	16.8	276.7
Georgia Pacific	7.223	7.5	296.0
Textron	6.951	21.5	245.9
International Paper	5.500	22.2	305.0
Honeywell	5.378	−18.8	(398.1)
PPG Industries	4.687	7.9	316.4
North American Phillips	4.517	3.1	68.5
Champion Int'l	4.388	−24.0	200.8
Boise Cascade	3.740	0.1	101.5
Owens-Corning Fiberglas	3.644	10.3	15.6
Cooper Inds.	3.433	11.9	147.7
Amer. Standard	2.998	2.9	193.2
USG Corp.	2.724	7.8	225.5
Triangle Industries	2.668	62.1	46.9
Jim Walters Corp.	2.348	4.6	154.4
Emhart	2.094	18.0	(10.2)
Union Camp	2.045	9.6	129.9
Manville	1.920	2.1	81.2
Black & Decker	1.798	2.7	29.9
Sherwin-Williams	1.553	−29.3	106.0
Louisiana-Pacific	1.506	19.5	56.6
Masco	1.452	25.8	203.4
Stanley Works	1.371	13.5	78.7

Source: Forbes Magazine's 500 list *NHCN* chart

*The above figures reflect the corporate sales and earnings of each company. For the most part, these firms do not break out their sales at retail.

Independents fight economy, buying groups

Aside from the southwest region of the country, most independent wholesalers are reporting higher sales. They say their salesmen are working harder to beat competitors' prices, but not trimming margins

NATIONAL REPORT — While independent wholesalers reported stable or increased sales in 1986, wholesalers operating in energy producing areas reflected the downturn.

And of the 13 regional firms and one national wholesaler contacted, most reported internal changes to cope with continuing problems in competing with wholesalers affiliated with national marketing organizations such as Sentry Hardware and Liberty Distributors. Two independents contacted chose to join one of these groups last year, each saying the buying group could expand their customer base more quickly than the internal sales force.

Regional swings

In the Southwest, the five-year downturn in the economy is dragging down independent wholesalers. "Building in Oklahoma just plummented" last year, said Jim Harms of J&B Supply in Fort Smith, Ark., leaving sales at about $10 million, the same figure the building materials firm reported in 1984.

It was the same "not real rosy" picture in Reno, Nev., where J.R. Bradley Company's $5 million in sales fell last year, according to president Gary Martin.

Away from the southwest, independents in California, New Jersey, Illinois, Idaho, Washington and Ohio reported higher sales. Like B&T Wholesale Distributing in Renton, Wash., most say that their salesmen are working harder to beat competitor's prices but not trimming margins.

"Prices don't seem to mean too much," said Ted McLendon, president of B&T, "we make a little and we don't lose any."

Publicly traded independent Waxman Industries posted an 18 percent hike in net sales last year to $97.84 million versus $82.69 million in 1985 for the fiscal year ending June 30.

Of the independents contacted, the buying group's impact had the least effect on Waxman, a national plumbing, electrical and hardware manufacturer and distributor.

According to chairman and ceo Melvin Waxman, because of the wholesaler's segmented product line it is a buying group competitor; Waxman Industries supplies the home center warehouse and chains while Barnett Brass and Keystone subsidiaries supply the major co-ops.

"We never felt a crunch from the buying groups," said Harms, general manager of Arkansas's J&B Supply, "but we're missing some sales." To remain competitive, J&B broadened plumbing lines more than two years ago.

For plumbing independents, the biggest hurdle in competing with the affiliated wholesalers was buying power on products like pumps, water heaters and disposals.

Echoing others, one vice president of an Idaho independent distributor said that convincing manufacturers to give the same discounts to independents that it gives to affiliated wholesalers was "a constant battle."

"You have to fight for those discounts, jawbone 'em pretty hard," said J.R. Bradley's Martin, "and sometimes you don't get it."

Wholesaler Buying Groups

Rank	Company	Sales (mil. $)		% chg.	No. of wholesalers		Affil. dealers/ total customers 1986 (1985)	% of home centers		Wholesaler warehouses		Aggregate Inv. (mil. $)		Sku's 1986 1985	No. of employees		Advertising: corporate wholesaler 1986 1985
		'86	'85		'86	'85		'86	'85	'86	'85	'86	'85		'86	'85	
1	**Liberty Distributors,** Des Plaines, Ill.	890	859	3.6	24	23	2,905/32,000 2,818/32,000	35	35	50	52	125	115	30,000 36,000	43	43	$3.8 mil./$1 mil. $3.4 mil./$1 mil.
2	**Associated Building Materials,** Scottsdale, Ariz.	800	750	6.7	50	50	none/25,000 none/25,000	80-90	80-90	88	94	170	105	NA	3	4	NA
3	**Pro Hardware,** Stamford, Conn.	615	703	−12.5	14	16	5,100/16,700 5,325/18,000	38-40	38-40	22	27	100-105	105	24,000 22,000	17	26	$1 mil./$3 mil. $3 mil./$1 mil.
4	**Sentry Hardware,** Chicago	550	550	0	14	12	5,700/5,700 5,700/5,700	20	20	22	20	135	NA	40,000 38,000	16	9	$7 mil./NA $7 mil./NA
5	**ValTest Distributors,** Chicago	425	425	0	34	32	1,100/6,500 900/6,500	15	15	42	42	41	40	13,500 13,500	9	9	$87,000/$600,000 $80,000/$600,000
6	**Allied Hardware Services,** Chicago	295	270	9.3	30	29	800/18,300 800/16,600	12	10	31	32	68	57-61	23,500 21,500	5	5	$240,000/$220,000 $185,000/$200,000
7	**Associated Hardware Buyers,** Gainsville, Ga.	130	130	0	22	23	NA	NA	NA	22	23	NA	NA	NA	4	4	$5,000/NA NA

Source: Company data, *NHCN* research, chart
NA—Not available/applicable

Earnings in '86 fall short for many firms

By Phillip M. Perry
NHCN staff editor

NATIONAL REPORT — Where are the fruits of last year's slowdown in home center expansion?

Did the reductions in preopening expenses, advertising and personnel costs translate into rosier earnings?

In some cases, yes. But earnings reports from many companies were not as good as expected.

Granted, the fruits of the 1986 strategy may show up in earnings reports later this year.

Even so, the numbers suggest companies will likely continue to shave expansion costs in 1987.

Sales at comparable stores (stores open longer than one year) increased an average of 4.9 percent at seven of the largest publicly held firms that report such numbers. That's not far off the 5 percent average increase for the same group in 1985.

The figure shows operators were more successful in 1986 than they were the previous year in attracting additional business at existing units. That's because the inflation rate last year was 1.9 percent, much lower than the 3.5 percent of 1985.

Yet earnings for many companies failed to meet expectations.

Companies were particularly hard hit in the South, where problems in the oil industry continued to be felt. This affected Lowe's and Scotty's.

Greater competition on the West Coast, too, meant earnings were affected negatively at National Lumber, Pay 'N Pak and Standard Brands Paint.

There were some good performers last year. Largely because of a drastic slowdown in its expansion pace, one of the "winners" in 1986 was The Home Depot.

For the Atlanta company, earnings increased by 191.5 percent to $23.9 million in 1986.

The previous year, earnings for the firm dropped by 42 percent to $8.2 million.

Hechinger, too, reported a considerably better earnings increase last year than in 1985.

For 1986, Hechinger's earnings increased by 22.5 percent to $28.3 million.

In 1985, its earnings increased 10 percent to $23.1 million.

Payless Cashways reported an 11.3 percent earnings increase to $42.4 million last year. That, too, was better than the previous year's three percent increase to $38.1 million.

The Northeast provided a favorable operating environment for home center chains.

The same can be said for parts of the Midwest, where a rebound in the economy in the Detroit area brought about an earnings increase of 51.4 percent at Wolohan Lumber.

Earnings Performance

Company	Earnings '86 $ mil	Earnings '85 $ mil	Earnings Change '86-'85 %	Net Margin '86
Hechinger	28.3	23.1	22.5	4.81
The Home Depot	23.9	8.2	191.5	2.36
Lowe's	55.1	59.7	− 7.7	2.41
National Lumber	− 2.4	− 0.2	NA	−1.60
Pay 'N Pak	5.7	8.1	− 29.6	1.43
Payless Cashways	42.4	38.1	11.3	2.77
Scotty's	11.9	16.1	− 26.1	2.35
Standard Brands Paint	15.0	15.8	− 5.1	4.59
Strober Organization	5.0	3.4	47.1	5.43
Wolohan	5.3	3.5	51.4	2.73
Averages*	—	—	22.4	2.40
Totals*	179.9	168.9		

*Minus Wolohan and Strober
Source: Company reports

NA-Not available/applicable
NHCN chart

Comparable Store Performance

Company	Comp Store Sales Increase '86 %	Comp Store Sales Increase '85 %	Total Sales '86 ($ millions)	Sales Change '86-'85 %
Hechinger	8.0	5.0	588	22.8
The Home Depot	7.0	2.1	1011	44.2
Lowe's	6.0	10.0	2283	10.2
National Lumber	NA	NA	150	10.3
Pay 'N Pak	8.9	4.7	398	19.5
Payless Cashways	4.4	5.0	1528	9.9
Scotty's	5.3	5.0	507	7.2
Standard Brands Paint	− 5.2	3.3	327	− 3.3
Strober Organization	17.9	NA	92	17.9
Wolohan	22.0	8.[illegible]	194	28.5
Averages*	4.9	5.0	—	15.1
Totals*	—	—	6792	—

*Minus Wolohan and Strober
Source: Company reports

NA-Not available/applicable
NHCN chart

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Window and door market projected to chart hefty sales

By an NHCN staff editor

NATIONAL REPORT — The growing size of the remodeling market, which topped an estimated $90 billion last year, was brought about, in large part, by increasing window and door replacement sales.

In fact, the entire window and door market is projected to chart hefty sales increases over the next several years.

This projection is based on strong housing starts activity, the aging of the existing stock of homes and the increasingly large move-up buyer segment looking for more high quality, energy-efficient products.

As a category of home remodeling projects, professionally installed window and door replacements totaled $3.5 billion last year, according to the National Association of the Remodeling Industry, (NARI), making it the third most popular remodeling project behind kitchen and bath and exterior siding.

The typical door and window replacement project costs about $9,000, NARI said.

Popular products in the door category include steel entry and leaded glass doors.

Especially popular window products remodeling projects are decorative or geometrics, energy conserving glass and windows with solid vinyl frames and sashes.

In total, about 70 million windows are sold annually.

Approximately 35 million windows and patio doors were sold to residential markets last year. Nearly half, or 15.3 million units, were used for remodeling projects. That's up 12 percent from 1985, according to LSI Systems, Crofton, Md. This year, 11 percent more windows are expected to be sold in this category.

LSI expects 37.1 million windows and patio doors will be sold for residential installation this year, up nine percent from 1986 and 19 percent from 1985. Of the total, 5.0 million patio doors will be sold in 1987, up from 4.9 million in 1986.

Exterior door sales are projected to rise eight percent over the next three years, compared to relatively flat sales over the previous three years. This year, LSI Systems estimates 7.5 million exterior doors will be sold in the residential repair market, up from 7.3 million last year.

Growth appears to be largely seated in exterior steel doors which now account for 36 percent of all exterior doors sold for remodeling projects, according to LSI Systems.

Wood flush doors comprise 34 percent of all units slated for residential repair, and wood panel doors and other door products account for 30 percent of that door market.

In new construction, steel doors total 67 percent of all new doors installed, wood panel doors, 15 percent, and wood flush doors, 18 percent of the door market, LSI said.

But the largest portion of the residential door market was in interior doors. LSI Systems reported that 33 million interior doors were sold to the residential remodeling market last year and that 33.5 million should be sold in 1987.

A growing portion of window sales for the remodeling market are solid vinyl window frames and sashes, which account for almost five million windows, experts report.

Anodized aluminum windows, wood windows with vinyl plastic or aluminum cladding around a wood frame and sash, are also very popular.

In fact, wood frame and sash windows now account for 21 percent of all windows sold to the residential market.

But the most popular material for window frames remains aluminum, accounting for 42 percent of the residential window market. Wood windows hold 22 percent of that market and vinyl and steel hold the balance, LSI Systems reported.

According to LSI's recent report on window activity for 1986, the average single-family detached house uses 13.5 windows, up from 12.5 windows in 1976, and 1.2 patio doors. Of the patio doors, 67 percent were sliding glass doors and 33 percent were hinged patio doors.

Decorative windows, or geometrics, are becoming a more important part of the window business, retailers and manufacturers report.

Representatives from Andersen and Marvin Windows estimated that between 10 percent and 15 percent of all windows sold are now in special shapes.

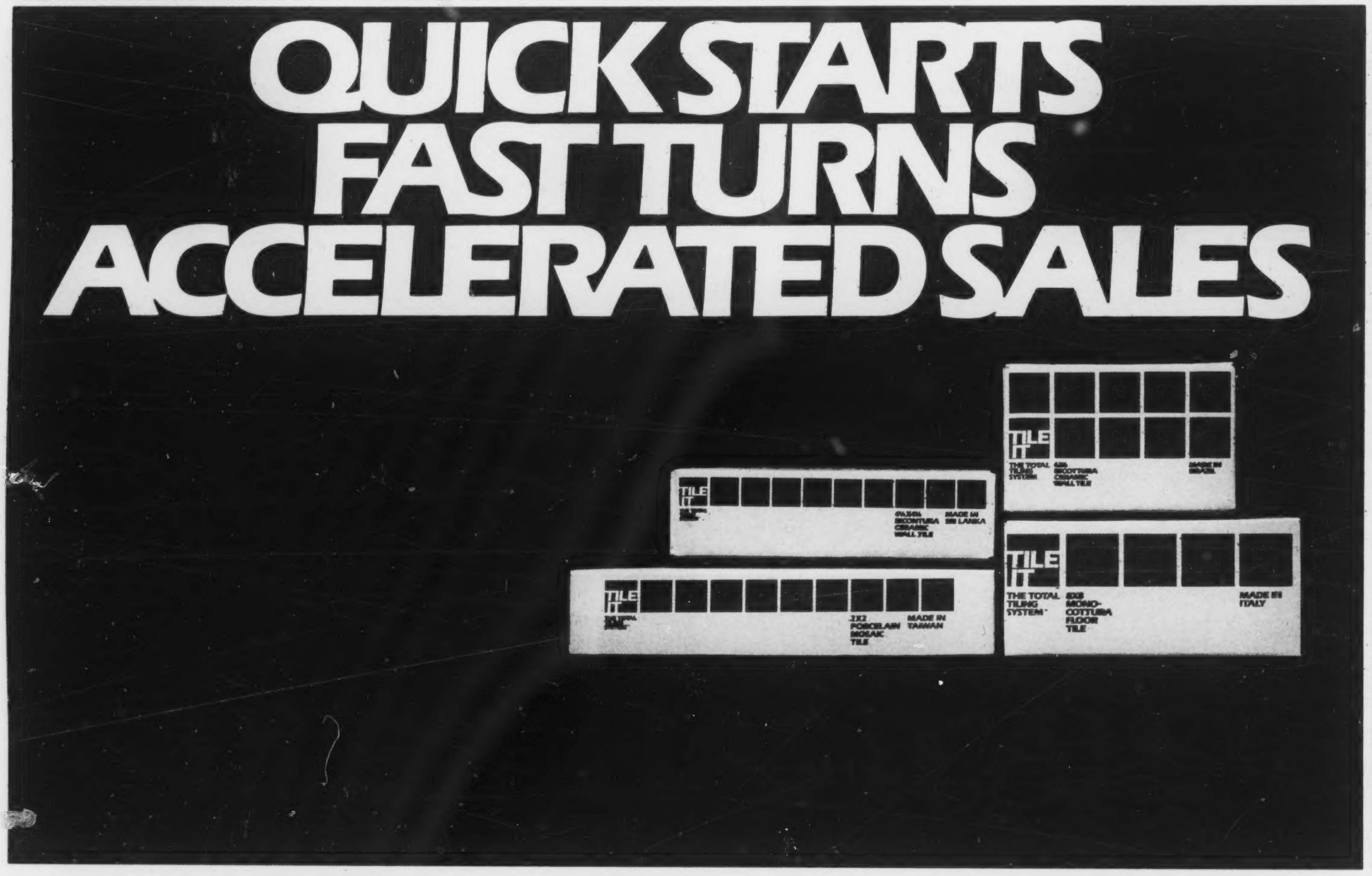
Increasingly, home improvement retailers are adding circulars, half-rounds, elliptical, trapezoids, octagons and arches to their in-stock mix of conventional windows.

The more cautious retailers have made the decorative windows available through special order. In both cases, retailers report they are enjoying 40 percent gross margins on these high-ticket items. Prices generally start at about $100 and have been known to go up to $28,000.

In addition to type and style of windows, consumers are looking more at energy conservation when they consider window and exterior door purchases, experts report.

Increasingly, consumers are paying attention to air leakage around doors and windows that add dollars to their home heating bills.

Low-E glass, a coated glass that reflects heat back into the house and reduces the transmission of ultraviolet light that can fade home furnishings is gaining in wide consumer acceptance.



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Hand Tools: Departmental contribution and productivity

	$ sales per sq. ft. sales area		Gross margin %		Sales to inventory ratio		GMROI	
	1985	1984	1985	1984	1985	1984	1985	1984
Retail home centers*	114.88	125.75	35.9	35.6	5.8x	4.9x	2.06	1.74
Lumber/building material outlets**	100.26	121.24	38.5	37.5	3.5x	3.9x	1.36	1.47
Hardware stores	126.86	143.07	34.8	31.4	4.1x	4.0x	1.44	1.22

*A retail outlet which carries the basic hardlines of hardware, tools, plumbing and heating equipment and electrical supplies as well as lumber and building materials.

**A lumber building materials outlet that actively pursues and derives a portion of its total sales from the consumer DIY market; must have a retail sales floor and carries basic hardlines in addition to lumber/building materials.
GMROI—Gross Margin Return on Inventory

Source: National Retail Hardware Association; Home Center Institute

Power Tools: Departmental contribution and productivity

	$ sales per sq. ft. sales area		Gross margin %		Sales to inventory ratio		GMROI	
	1985	1984	1985	1984	1985	1984	1985	1984
Retail home centers*	145.08	136.48	30.03	31.3	4.2x	5.3x	1.28	1.65
Lumber/building material outlets**	114.49	104.13	29.50	30.7	3.8x	3.2x	1.14	0.98
Hardware stores	157.69	144.61	31.00	25.4	4.1x	3.8x	1.28	0.94

*A retail outlet which carries the basic hardlines of hardware, tools, plumbing and heating equipment and electrical supplies as well as lumber and building materials.

**A lumber building materials outlet that actively pursues and derives a portion of its total sales from the consumer DIY market; must have a retail sales floor and carries basic hardlines in addition to lumber/building materials.
GMROI—Gross Margin Return on Inventory

Source: National Retail Hardware Association; Home Center Institute

Hand tools outperforms power tools category

By an NHCN staff editor

NATIONAL REPORT — The key words in the tool category last year were "imports," "cordless" and "professional."

And, as has been the case for several years, the hand tool category proved to be more profitable than power tools for home center operators polled by the National Retail Hardware Association.

The NRHA's "Bottom Line" report compared the performance of these products in home centers, hardware stores and retail lumberyards. Its findings for the year 1985 (the latest available data) show that among all three dealer groups, sales per square foot from power tools was up over 1984, but down for hand tools.

On the other hand, each retail sector experienced an increase in gross margin from their hand tool sales, where only lumberyards saw gross margins increase for power equipment.

Home centers saw a significant increase from hand tools in the all-important Gross Margin Return on Investment (GMROI) barometer, but a dropoff for power tools. Both categories were more profitable for lumberyards, but, surprisingly, only the power tool category showed an increase for hardware stores, with GMROI off for this retail group in hand tools.

Looked at more closely, those home centers who responded to the NRHA's poll reported that their turnover of hand tools had improved between 1984 and 1985 by 0.9 turns to 5.8 turns annually.

This category accounted for about 3 percent of these stores' sales, and produced gross margins of 35.9 percent, or nearly a half percentage point higher than the year previous.

But it appears that home centers gave slightly more space to these products on their sales floors in 1985, and consequently, the category's sales per square foot fell off by more than $10 to $114.88.

The sales and earnings performance of the power tool category for home centers seemed to be an inverse mirror of its hand tool counterpart.

Sales per square foot increased more than 6 percent to $145.08 during a period when the contribution to total sales from this category for home centers declined to 2.4 percent, compared to 3.3 percent in 1984.

But in other measures—turnover, GMROI and gross margin—power tools was less productive for home centers in 1985 than 1984.

The study shows that, among the three retail groups, hardware stores are devoting the greatest amount of square footage to hand tools (7.5 percent of a store's total sales floor) and power tools (4.6 percent).

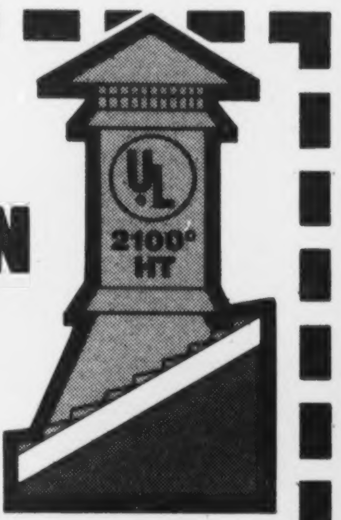
Hardware stores also had the lowest turnover in both product categories among the three types of retailers.

Lumberyards achieved the highest sales per square foot for hand and power tools, and showed marginal increases in turnover of both categories in 1985. These lumber dealers also appeared to enjoy the healthy increases in GMROI (to 1.44 in 1985 from 1.22 in 1984 for hand tools; 1.28 from 0.94 for power tools).

These sales and earnings measurements were set against a backdrop of dealers trying to improve their profitability from hand tools by including in their stores' merchandise mix better-grade import products which, by industry estimates, accounted for around 15 percent of the industry's sales in this category last year.

Yet despite this continuing overseas onslaught, a number of domestic hand tool suppli-

(Continued on page 38)



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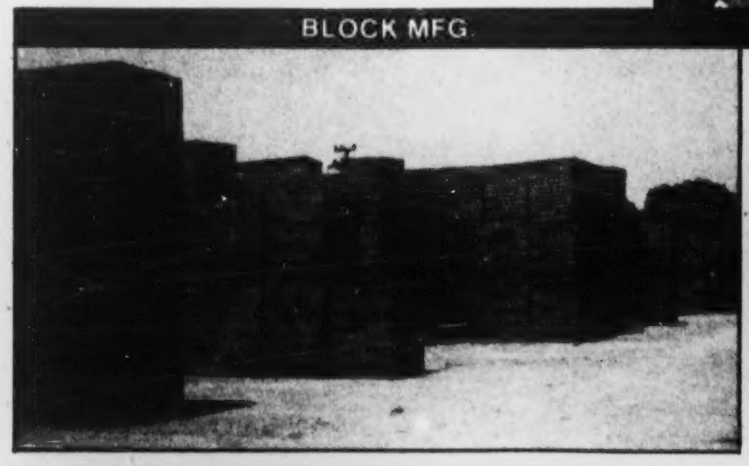

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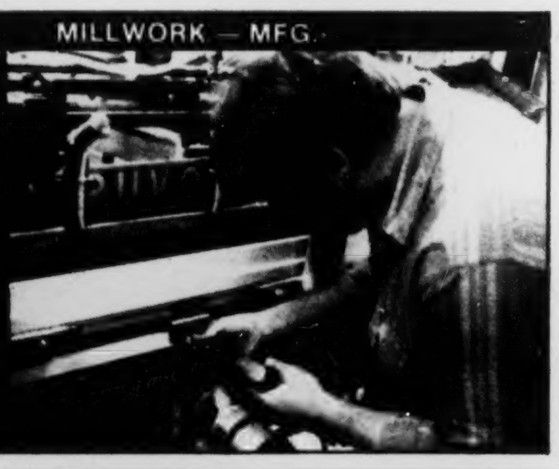

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Paint pricing and promotion wars slow down in 1986

Paint: Departmental contribution and productivity

	$ sales per sq. ft. sales area		Gross margin %		Sales to inventory ratio		GMROI	
	1985	1984	1985	1984	1985	1984	1985	1984
Retail home centers*	143.42	129.37	33.9	37.5	6.1x	6.6x	2.06	2.48
Lumber/building material outlets**	172.86	174.12	39.4	30.8	4.2x	4.5x	1.73	1.56
Hardware stores	114.19	124.60	34.7	37.6	4.6x	4.2x	1.79	1.57

*A retail outlet which carries the basic hardlines of hardware, tools, plumbing and heating equipment and electrical supplies as well as lumber and building materials.

**A lumber building materials outlet that actively pursues and derives a portion of its total sales from the consumer DIY market; must have a retail sales floor and carries basic hardlines in addition to lumber/building materials.

GMROI—Gross Margin Return on Inventory

Source: National Retail Hardware Association; Home Center Institute

By an NHCN staff editor

NATIONAL REPORT—Many retailers found ways to slightly increase their gross profit margins in the paint and home decorating merchandise category last year.

This was a sharp contrast to 1985, when promotion was the name of the game and some retailers sold paint below cost to create market share.

At least one retailer—Color Tile—decided to retreat altogether from the paint-related pricing battles in 1986.

The floor and wallcovering DIY chain based in Ft. Worth, Tex., closed out its entire 12-stockkeeping unit line of private-label, in-house manufactured paint and sundries.

Customers "didn't identify us as a paint retailer and we never got the inventory turns and sales we needed," vp-advertising Ty Whorton said.

"Paint did not take up a great deal of space," he added. The paint closeout began in late November 1986 and was set to be completed by this past March.

Despite intense competition in its mostly Western U.S. markets, one major paint retailer, Standard Brands Paint Co., ended the year on an upbeat note.

In December, Standard Brands experienced a 4% same-store sales gain, its first such gain in 14 months, said Bo Cheadle, an analyst with Montgomery Securities.

Cheadle said the Torrance, Calif.-based company managed the sales gain without an accompanying promotional burst.

He added that Standard Brands' management has spent the last year regaining its gross margin while simultaneously squeezing down costs.

At year end, Standard Brands was operating 135 retail units. Paint was the larg-

(Continued on page 42)

Hand tools still outperforms power tools category

(Continued from page 36)

ers flexed their muscles in 1986, most prominently Emhart, whose consumer division will be one of the areas targeted for expansion in 1987; and Stanley Tools which opened the year acquiring Bostitch and closed 1986 buying National Tool in Dallas.

On the power tools side of the equation, dealers of all stripes were scurrying to get as many cordless products into their stores as they could.

At last year's summer Hardware Show in Chicago, virtually every major power tool supplier—Black & Decker (which continued with its major restructuring and reorganization program), Skil, Makita, Ryobi, Milwaukee—was introducing new cordless products or expanding what they already stocked. Most manufacturers, no doubt, are looking for the kind of success Skil has had with its "Twist" cordless screwdriver, of which the Chicago manufacturer sold more than 4 million units in the month of December 1986.

While cordless products were taking off, suppliers were also trying to cultivate new customers with their professional-grade, more expensive power tools that promise higher sales and margins for dealers. The big question mark in recent weeks, though, is what effect U.S. tariffs on certain Japanese power tool imports will have on the supply and prices of these items.

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Building Materials: Departmental contribution and productivity

	$ sales per sq. ft. sales area		Gross margin %		Sales to inventory ratio		GMROI	
	1985	1984	1985	1984	1985	1984	1985	1984
Retail home centers*	225.61	292.18	26.2	29.6	6.6x	5.8x	1.74	1.72
Lumber/building material outlets**	719.64	606.85	26.4	28.7	7.5x	7.1x	1.98	1.66
Hardware stores	106.39	95.33	34.2	33.1	4.0x	2.7x	1.38	0.89

*A retail outlet which carries the basic hardlines of hardware, tools, plumbing and heating equipment and electrical supplies as well as lumber and building materials.

**A lumber building materials outlet that actively pursues and derives a portion of its total sales from the consumer DIY market; must have a retail sales floor and carries basic hardlines in addition to lumber/building materials.

GMROI—Gross Margin Return on Inventory

Source: National Retail Hardware Association; Home Center Institute

Housing starts boost building material demand

By an NHCN staff editor

NATIONAL REPORT — With the exception of fiberglass insulation, most building materials enjoyed healthy increases in demand in 1986 and many building material producers are looking to better their performances this year.

While most of the insulation makers reported consumption figures equal to 1985's, roofing manufacturers, gypsum producers and siding producers reveled in vigorous increases in demand for their products.

Strong housing starts continued to boost demand for building materials by contractors. But the aging American home and the continued thrust of commercial rehab activity made the building materials departments one of the busiest departments in home centers last year.

Despite some increases in price, drywall enjoyed one of its best years since 1979.

Victor Abnee, executive vp of the Gypsum Association, said 1986 proved to be a record breaker with industrywide sales up 5 percent. In contrast to previous years, Abnee said 1986 was the first since the recovery that there were no shortages or retail allocations, a sign that the productive capacity of the industry is finally adjusting to housing demand.

"It was one of our best years," Abnee said. "Sales were up more than 5 percent industrywide and this even exceeded earlier estimates.

"Without a doubt, though,

(Continued on page 44)

Paint pricing wars slow down during 1986

(Continued from page 38)

est single specialty product group in its retail sales mix, contributing about 35% of total retail sales of which close to 90% were from paint manufactured by the company's paintmaking subsidiary.

Glidden changes name

In other major paint-related developments last year, Glidden Coatings and Resins shortened its name to "The Glidden Company." The name change came in the wake of parent company Hanson Industries agreeing to sell most of the Glidden coatings and resins businesses of its SCM Corp. to Britain's Imperial Chemical Industries PLC for $580 million.

The shortened name was reflected in a new company logo used on stationery and business cards, said Charles Carpenter, marketing services director for Glidden.

Glidden reported that the U.S. paint market is the largest in the world and the acquisition makes ICI the third-largest producer in the U.S. coatings and resins industry, which has $9 billion a year volume.

The latest "Bottom Line" study of the DIY industry conducted by the National Retail Hardware Association said that home centers' paint and home decorating sales per square foot were $143.42 compared with $129.37 per square foot in the 1984 study. (Statistics from 1985 are the most recent available).

Home centers' gross margins in this category were an average of 33.9%.

Turnover in paint—the sales to inventory ratio—in home centers fell slightly, to 6.1 times annually from 6.6 times in 1984. Gross margin return on investment also fell in 1985, to 2.06 from the prior year's 2.48.

Hardware stores, meanwhile, had a lower paint turnover rate in their stores compared with home centers—an average of 4.6 times in 1985. Hardware stores sold paint at substantially higher margins—39.4%, according to the NRHA study.

Lumberyards, in contrast, reported that paint and home decorating sales generated a gross margin of 34.7%, annual turns of 4.2 times, and $172.86 sales per square foot.

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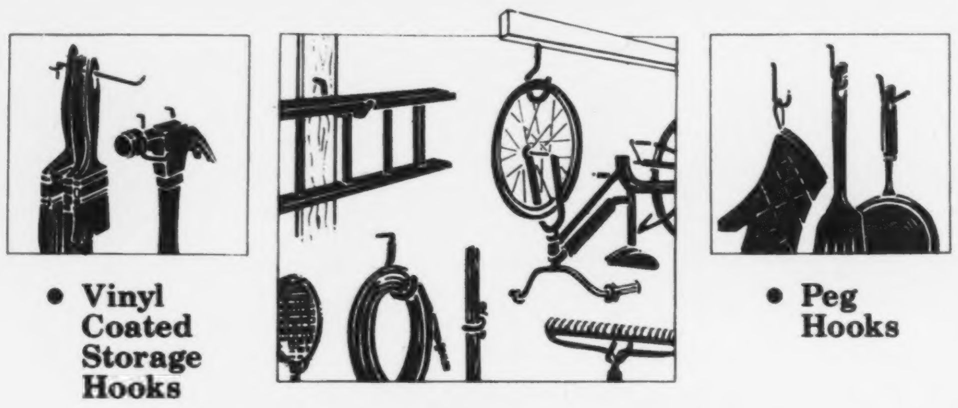

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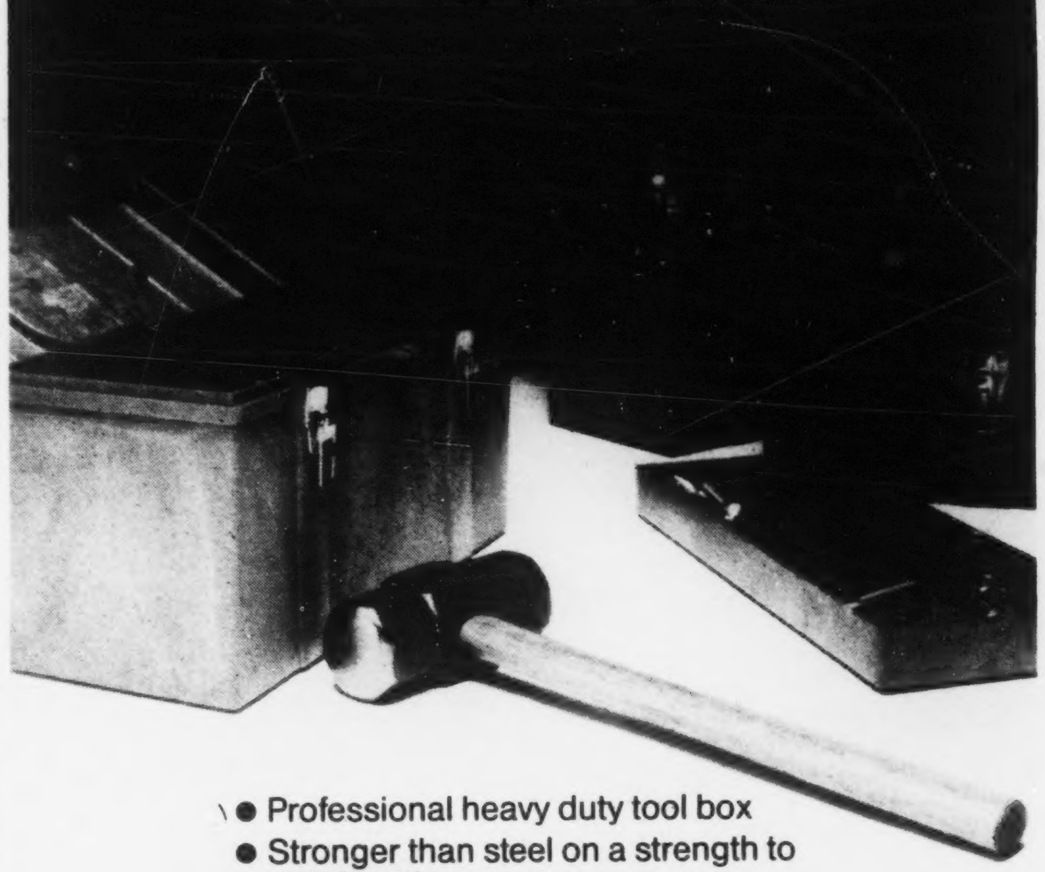

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Better packaging propels electricals into popularity

By an NHCN staff editor

NATIONAL REPORT — More sophisticated DIYers and a rapidly increasing supply of better-packaged electrical products combine to propel the electricals category into greater importance in home improvement outlets, especially at home centers.

According to the Bottom Line Reports prepared by the National Retail Hardware Association, (NRHA), electricals merchandise is increasingly more popular in home centers, hardware stores and lumber and building materials outlets.

Electricals products are sold by almost all DIY retailers and provide them with some of the best gross margins in their stores, from 33 percent to more than 37 percent on the average. Only hardware merchandise get better margins, from 37.7 percent to 44.1 percent.

Fueling the growth is a plethora of products from switchplates to chandeliers. Particularly popular items include security and outdoor lighting products, programmable thermostats, extension cords, cables, ground fault connectors, surge suppressors and light bulbs, among many others.

Much of the category's growth is associated with advances in product packaging and in-store merchandising. Increasingly, electrical products are packaged in more user-friendly, color-coded wrappers that feature product uses, pictograms and plain English.

In 1985 (the last year for which data is now available) more than 85.6 percent of the surveyed lumber/building materials outlets added electricals departments to their mix,

(Continued on page 48)

Electrical Supplies: Departmental contribution and productivity

	$ sales per sq. ft. sales area		Gross margin %		Sales to inventory ratio		GMROI	
	1985	1984	1985	1984	1985	1984	1985	1984
Retail home centers*	121.19	130.32	37.3	36.5	5.0x	4.8x	1.87	1.76
Lumber/building material outlets**	118.68	147.41	41.4	39.9	4.5x	4.6x	1.86	1.85
Hardware stores	149.06	177.62	35.7	33.4	3.7x	5.2x	1.32	1.72

*A retail outlet which carries the basic hardlines of hardware, tools, plumbing and heating equipment and electrical supplies as well as lumber and building materials.

**A lumber building materials outlet that actively pursues and derives a portion of its total sales from the consumer DIY market; must have a retail sales floor and carries basic hardlines in addition to lumber/building materials.

GMROI—Gross Margin Return on Inventory

Source: National Retail Hardware Association; Home Center Institute

Building materials enjoy increases

(Continued from page 42)

one of the reasons we've seen the growth is due to the growing awareness of gypsum's fire resistance."

Because drywall enjoys a diversified market ranging from commercial, residential and mobile home, Abnee is confident 1987 will better 1986's performance. He noted that production for 1987 as of the end of March was 5 percent better than in 1986.

In roofing, manufacturers and retailers enjoyed one of the best years yet.

From an industry sales point of view, all records were broken with more than 88 million squares sold in 1986, up substantially from the 80 million sold in 1985, according to John Brennan, Asphalt Roofing Manufacturers Association.

Brennan said reroofing—the rehabing of aging homes—accounted for 60% of last year's consumption. But Brennan is worried that with changes in the tax code, commercial construction will probably fall off in 1986 and precipitate a softening in demand.

The roofing sector's upbeat performance in building materials in 1986 was underscored by Jim Worden, a marketing and communications officer for the Roofing Products Division of Owens-Corning Fiberglas.

Worden noted that roofing remains a very cyclical business, tied in intimately with new housing construction, but reroofing accounted for much of the market share O-C Roofing garnered in 1986. In addition, the introduction of some roofing profiles from previous years, notably fungus-resistant shingles, laminated shingles and a new kind of waterproofing adhesive, has helped to deepen the company's penetration in the market.

> In roofing, manufacturers and retailers enjoyed one of the best years yet.

By both retail and manufacturing consensus, insulation experienced a flat year, with O-C continuing to command the lion's share of the market with its Pink Panther product.

According to the National Retail Hardware Association's (NRHA) most recent bottom line reports of home center category performances in 1985, building materials sales per square foot dropped considerably between 1984 and 1985. Despite the increased demand of all building material products, the NRHA reports that home centers made $225.61 per square foot in the category in 1985, compared to $292.18 in 1984. Gross margins dropped as well from 30% to 26.2% during the same time period.

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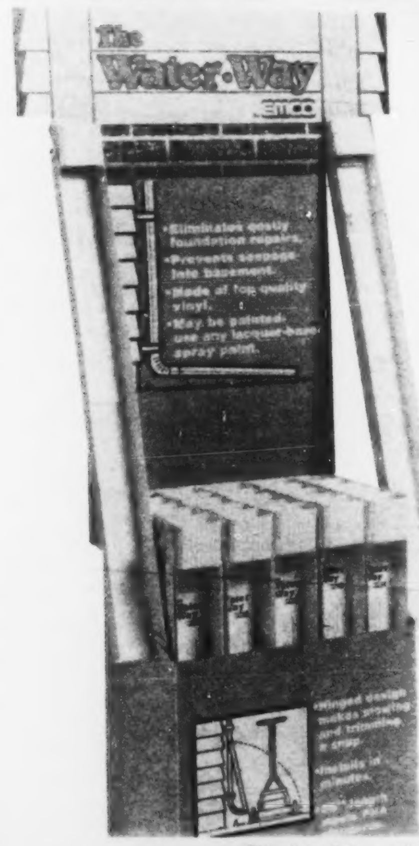

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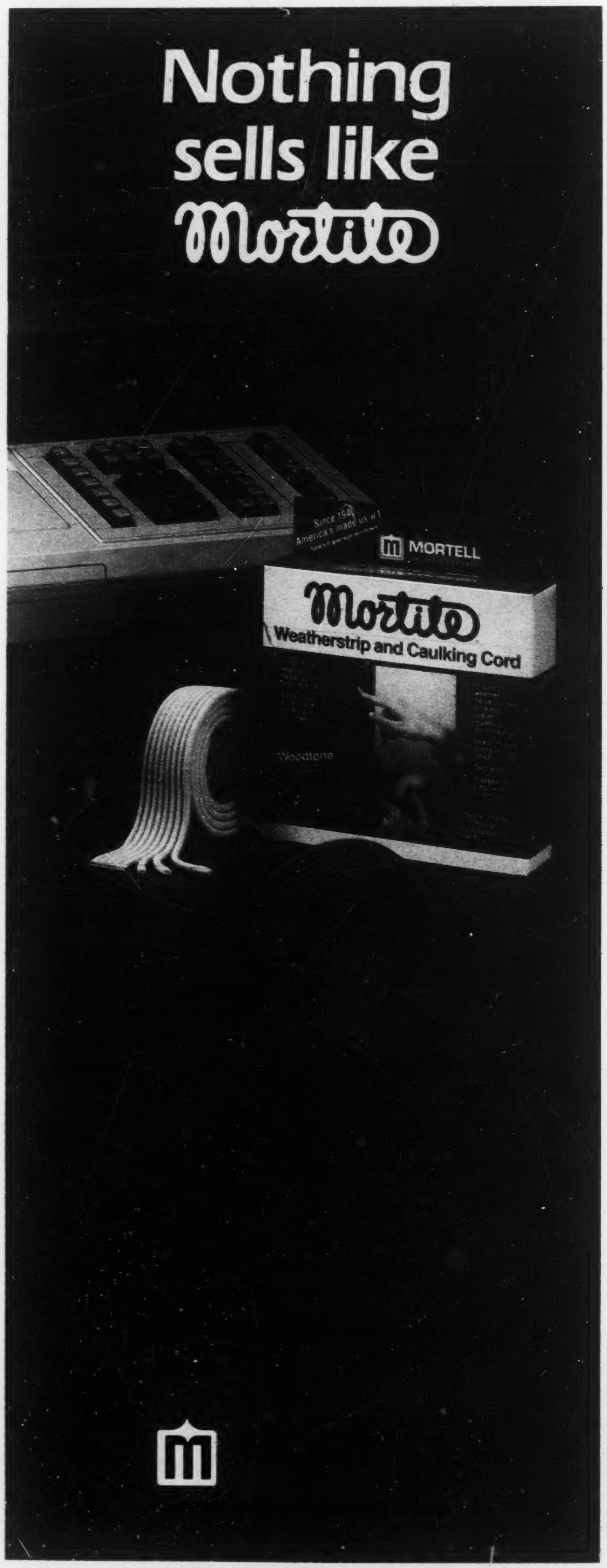

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Housewares: Departmental contribution and productivity

	$ sales per sq. ft. sales area		Gross margin %		Sales to inventory ratio		GMROI	
	1985	1984	1985	1984	1985	1984	1985	1984
Retail home centers*	71.48	85.23	32.8	33.8	3.9x	3.1x	1.28	1.05
Lumber/building material outlets**	95.61	92.33	32.7	23.4	3.7x	2.3x	1.21	0.52
Hardware stores	71.47	71.16	34.6	34.1	3.6x	3.0x	1.25	1.03

*A retail outlet which carries the basic hardlines of hardware, tools, plumbing and heating equipment and electrical supplies as well as lumber and building materials.

**A lumber building materials outlet that actively pursues and derives a portion of its total sales from the consumer DIY market; must have a retail sales floor and carries basic hardlines in addition to lumber/building materials.
GMROI—Gross Margin Return on Inventory

Source: National Retail Hardware Association; Home Center Institute

Housewares bolsters penetration in DIY sector

By an NHCN staff editor

NATIONAL REPORT — The year 1986 will probably be remembered as the year of the ice cream maker, cordless appliances, the rise and fall of housewares expositions and renewed acceptance of the category among home improvement retailers.

While many industry retailers reportedly scaled down their involvement with housewares or abandoned it altogether, the 1986 Bottom Line Reports prepared by the National Retail Hardware Association (NRHA) paints a different picture.

The $45 billion at-retail industry advanced its penetration within the DIY sector, particularly in home centers, the report revealed. A growing proportion of these retailers have found they can adequately compete with de-

(Continued on page 54)

Electricals gains popularity in retail outlets

(Continued from page 44)

up from 84.8 percent the year before.

(All home centers and hardware operators responding to the report carry electricals departments.)

Lumberyards, however, aren't buying and selling electricals as efficiently as their hardware and home center counterparts.

While more lumber/building materials outlets are stocking electricals and earning higher gross margins than ever before on the category—35.7 percent, up from 33.4 percent in 1984—sales per square foot declined from $177.62 in 1984 to $149.06 in 1985.

The sales to inventory ratio for electricals at lumberyards dropped to 3.7 from 5.2 and gross margin return on inventory (GMROI) fell to $1.32 from $1.72 between the two years.

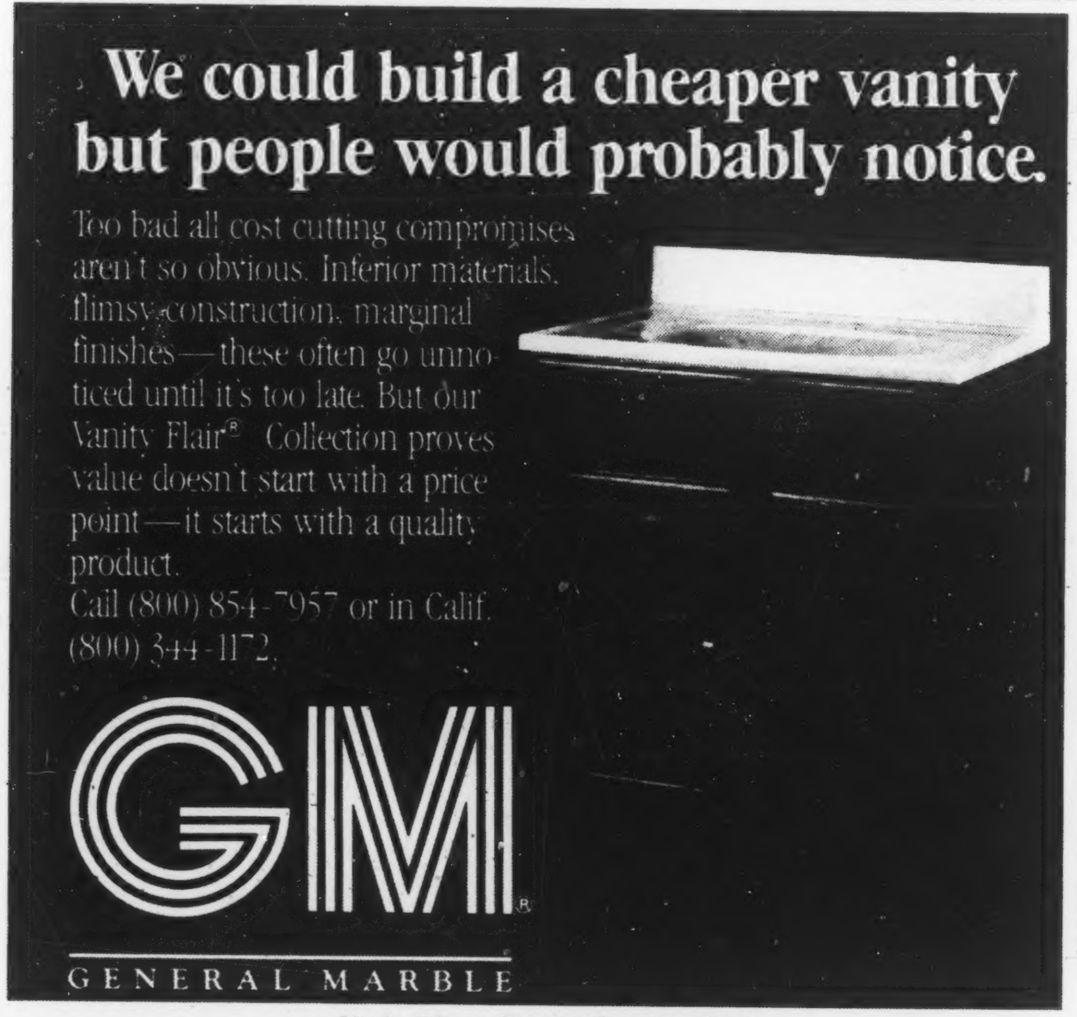
In contrast, home center operators are the most efficient merchants of electricals, even though their sales per square foot declined to $121.19 from $130.32. The sales to inventory ratio rose to five from 4.8 and GMROI rose to $1.87 from $1.76. At the same time, gross margins rose to 37.3 percent from 36.5 percent.

Hardware stores achieved the highest gross margin, 41.4 percent, on electricals and maintained a steady sales to inventory ratio and GMROI, but recorded a substantial drop in sales per square foot, down to $118.68 from $147.41.

Despite the sales per space decline, the electrical department in hardware stores produce more sales than any other category except major appliances and home entertainment products.

Hardware retailers also dedicate more floor space to electricals than do lumberyards and home centers, and derive a larger percentage of their net sales from the category. These dealers apportion nine percent of their floor space and get 10.4 percent of their net sales from electricals, compared to 8.4 percent of the sales floor and 4.5 percent of net sales in home centers.

Lumberyards dedicate 5.5 percent of their sales floor to electricals, but get just three percent of their net sales from electricals.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Perspectives *annual report*

Lumber: Departmental contribution and productivity

	$ sales per sq. ft. sales area		Gross margin %		Sales to inventory ratio		GMROI	
	1985	1984	1985	1984	1985	1984	1985	1984
Retail home centers*	389.12	364.21	25.0	25.5	6.9x	8.3x	1.72	2.11
Lumber/building material outlets**	986.83	769.24	23.8	24.3	7.3x	6.5x	1.73	1.56
Hardware stores	108.69	63.65	28.6	28.1	3.5x	3.5x	2.6	0.72

*A retail outlet which carries the basic hardlines of hardware, tools, plumbing and heating equipment and electrical supplies as well as lumber and building materials.

**A lumber building materials outlet that actively pursues and derives a portion of its total sales from the consumer DIY market; must have a retail sales floor and carries basic hardlines in addition to lumber/building materials.

GMROI—Gross Margin Return on Inventory

Source: National Retail Hardware Association; Home Center Institute

Canadian tax and price swings mark 1986 in lumber industry

By an NHCN staff editor

NATIONAL REPORT — Not since the late '70s has lumber experienced the price and demand volatility that characterized the market in 1986.

By many measuring sticks, the production and selling of lumber and structural panels broke records and gave producers (with the exception of Canadians, who were hammered by an export tax and long strikes), some encouraging returns for the first time since 1978.

Among the noteworthy developments in 1986 were:

- Consumer and professional demand enjoyed its third consecutive year of record consumption. Lumber consumption in the U.S. was 46.8 billion board feet, six percent greater than 1985, with DIY remodeling and repair accounting for more than 28 percent of all consumption.
- Prices for both lumber and plywood were topsy-turvy throughout the year. Prices rose with the onset of mill strikes and the export tax, but dropped when increased production and mild winter weather lengthened the building season in cold areas. *Random Lengths'* framing lumber composite ended the year at $204 per thousand board feet, up $17 from 1985.
- The threat of a tariff on lumber imports was finally resolved when Canada erected an export tax on lumber headed to the U.S. Despite the 15 percent price hike, demand did not suffer and actually seemed to expand when British Columbian forest workers ended their five-month-old mill strike in November.
- When the export tax was added to the exchange between the U.S. and Canadian dollar, Canadian forest products exporters saw less profit in 1986 and the first signs of market resistance in the first quarter of 1987. In the last quarter of 1986, the Canadian dollar hit 69 cents and rose to 75 cents of U.S. value by the beginning of 1987. This meant that a sale of lumber to the U.S. at $200, a f.o.b. would have returned about $286 to a Canadian concern in the fall. But by the end of the year, the same $200 sale was only worth $227 when the export tax was subtracted.
- Structural panels had a mixed performance on production- and distribution-related issues, but became a strong participant to overall lumber sales in retail.

Panel production also bore further signs in 1986 that the nonveneer products are continuing to gain on plywood. But not only are the nonveneer panels gaining on veneer, many companies, notably Weyerhaeuser, have taken the new production technologies of oriented strand board and waferboard to create entirely new panel products. In the case of Weyerhaeuser, the firm introduced SuperStrand last year, a new kind of competitively priced OSB for contractors.

Overall panel production exceeded 25 billion board feet,5 percent higher than 1985, with nonveneer accounting for 3.3 billion board feet.

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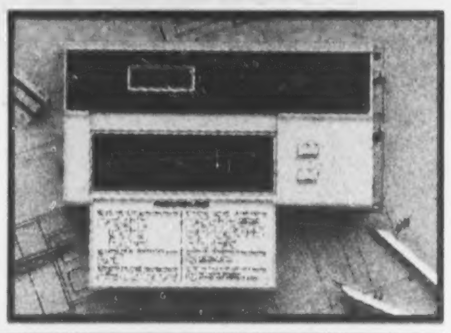

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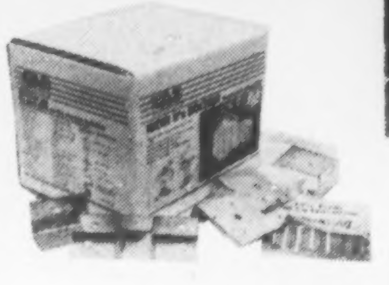

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Colorful packaging revs up hardware sales in 1986

By an NHCN staff editor

NATIONAL REPORT—Last year, retailers began putting pressure on manufacturers for more attractive and informative packaging on hardware items.

Color in packaging was cited as an important factor by retailers such as Stripling-Blake Lumber Co., Lowe's, A.C. Houston, Valu Home Centers of Buffalo, N.Y., and Robertson Companies of Grand Forks, S.D., as well as others.

Color serves to coordinate merchandising categories while contributing to consistent "aisle appeal," according to many retailers.

Lowe's has answered its own demands by redesigning its Lowe's-brand package nail program with color coding and additional information.

The topic of price increases was prevalent at the National Hardware Show held last August in Chicago.

At the show, William Sparker, senior vp-sales for Diamond F, the Cleveland-based lighting supplier said, "Prices simply have to go up with costs, due to an increase in raw materials, or we'll drop a line. We can't take a loss."

Also reported at that time was a 2.9 percent price increase by Stanley Hardware.

During the past year importers also found the need to hike prices to compensate for a

(Continued on page 56)

Hardware: Departmental contribution and productivity

	$ sales per sq. ft. sales area		Gross margin %		Sales to inventory ratio		GMROI	
	1985	1984	1985	1984	1985	1984	1985	1984
Retail home centers*	130.67	140.78	40.2	40.0	4.7x	5.3x	1.88	2.13
Lumber/building material outlets**	136.03	138.64	37.7	33.6	3.8x	3.4x	1.43	1.13
Hardware stores	99.85	110.73	44.1	42.7	3.2x	3.6x	1.41	1.53

*A retail outlet which carries the basic hardlines of hardware; tools, plumbing and heating equipment and electrical supplies as well as lumber and building materials.

**A lumber building materials outlet that actively pursues and derives a portion of its total sales from the consumer DIY market; must have a retail sales floor and carries basic hardlines in addition to lumber/building materials.

GMROI—Gross Margin Return on Inventory

Source: National Retail Hardware Association; Home Center Institute

Housewares bolsters penetration in DIY sector

(Continued from page 48)

partment stores and mass merchants for housewares sales and can make money doing it.

For example, All American Home Center, Hechinger, Pergament and Chase-Pitkin all expanded their housewares offerings within the past year.

Particularly popular additions to housewares departments have been broader selections of small electric appliances, microwave cookware, storage products, cleaning supplies and some kitchen linens, among others.

Housewares departments were available in 65.5% of all home centers in 1985 (the last year for which data is available), up from less than half that in 1984. A steady 87 percent of all hardware stores offered housewares in 1985 and 20.3 percent of all lumberyard operators surveyed reported selling housewares, up slightly from a flat 20 percent the year before.

Buying and selling efficiency of housewares merchandise rose substantially last year, with advances led by lumber/building materials dealers.

Gross margin return on inventory (GRMOI) at lumberyards soared from 52 cents in 1984 to $1.21 in 1985. At the same time, gross margins rose to 32.7 percent from 23.4 percent, and the sales to inventory ratio for housewares rose to 3.7 from 2.3.

Productivity also improved markedly for home centers and hardware stores. Both recorded an increase in GMROI to $1.28 and $1.25, respectively.

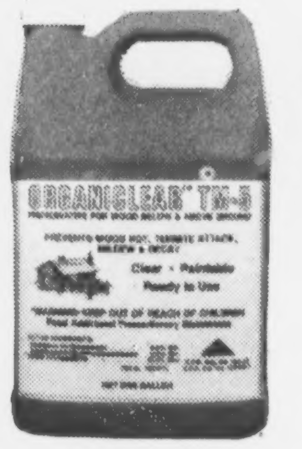
Home center operators recorded a big improvement in their sales to inventory ratio, which increased to 3.9 from 3.1. Gross margins, however, eroded by one percentage point to 32.8 percent.

Gross margins at hardware stores inched up to 34.6 percent from 34.1 percent the year before, and the sales to inventory ratio edged up to 3.6 from 3.0.

Sales per square foot were varied among the three retailing operations. They were fairly flat at hardware stores, $71.47 in 1985 compared to $71.16 the year before. Sales per square foot declined at home centers, falling to $71.48 from $85.23, but jumped about $14 to $95.61 at lumberyards, according to the Bottom Line reports.

Hardware stores carrying housewares dedicated more floor space to the merchandise than the other two retailing groups, 11.4 percent, compared to 4.6 percent for lumberyards and 4.2 percent for home center operators.

Housewares sales generated 8.9 percent of a hardware store's net sales—the highest of the three groups—compared to 3.4 percent at home centers and 2.2 percent for lumber/building materials dealers.



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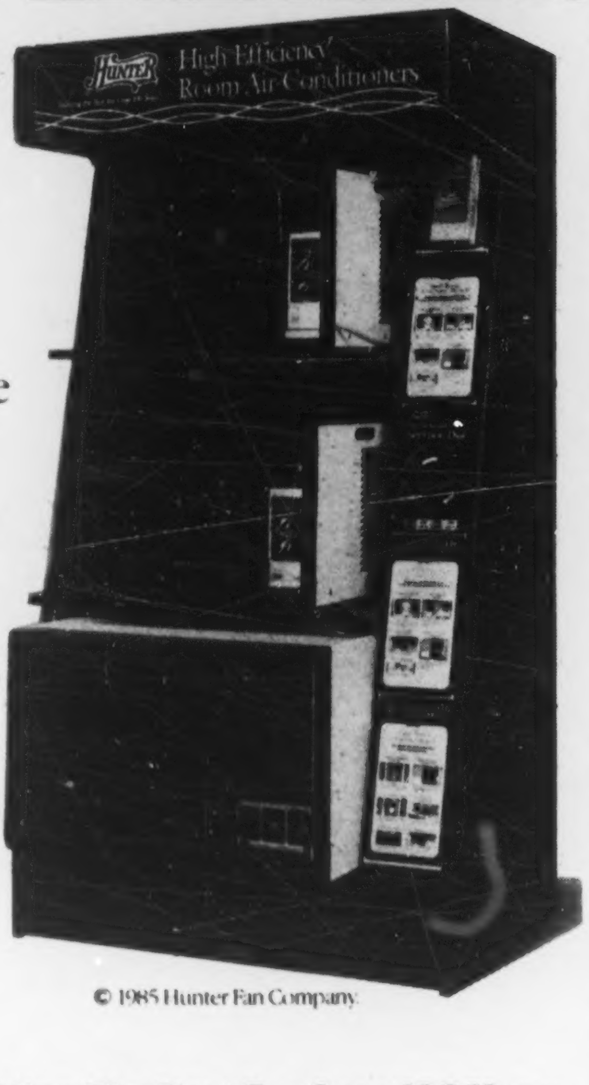

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Lawn and garden category experiences banner year

Lawn & Garden: Departmental contribution and productivity

	$ sales per sq. ft. sales area		Gross margin %		Sales to inventory ratio		GMROI	
	1985	1984	1985	1984	1985	1984	1985	1984
Retail home centers*	125.27	117.01	31.3	33.2	5.0x	5.3x	1.54	1.76
Lumber/building material outlets**	130.32	175.27	33.3	27.2	4.9x	5.0x	1.64	1.33
Hardware stores	115.59	115.65	36.3	35.4	4.6x	4.0x	1.66	1.40

*A retail outlet which carries the basic hardlines of hardware, tools, plumbing and heating equipment and electrical supplies as well as lumber and building materials.

**A lumber building materials outlet that actively pursues and derives a portion of its total sales from the consumer DIY market; must have a retail sales floor and carries basic hardlines in addition to lumber/building materials.

GMROI—Gross Margin Return on Inventory

Source: National Retail Hardware Association; Home Center Institute

By an NHCN staff editor

NATIONAL REPORT — It was a banner year for lawn and garden. Attendance at the lawn and garden expo in Louisville was up 50 percent over 1985. During the first half of 1986, it was reported that nursery revenues increased anywhere from 10 percent to 25 percent for retailers and growers.

Other developments in the lawn and garden arena include the introduction of bar coding [UPC labels] on live plants.

While the impetus for this action comes from large discounters such as K-Mart which are demanding better ways to keep track of green goods inventory, its appeal is likely to attract home center retailers.

In explaining the growth of nursery sales nationwide, Walter Rogers, director of corporate communications for General Host, Stamford, Conn., made reference to a Gallup survey which showed that lawn and garden was the largest outdoor activity done by Americans, which, the survey indicated, translates to 84 percent of Americans.

According to data in the Bottom Line Report from the National Retail Hardware Association, sales per square foot were up from $117.01 in home centers to $125.27 in 1985 (the last year for which data is available.). The percentage growth appears, however, to be particular to home centers. Lumberyards showed a decline in sales per square foot from $175.27 to $130.32. Sales at hardware stores were relatively static with a slight downward tilt from $115.65 to $115.59.

Gross margin percentages were up in both lumberyards and hardware stores. Lumberyards enjoyed a 6.1 percent jump while hardware store margins elevated 0.9 percent. Home centers saw a fall in gross margin percent-

(Continued on page 58)

Colorful packaging revs up hardware sales in '86

(Continued from page 54)

fluctuating yen.

Long Island City, N.Y., importer Atlas Hardware Co. experienced a nearly double increase from $1,700 to $3,200 per container load of tools and hardware over a several month period.

Hardware sales drop

In the Bottom Line Report of the National Retail Hardware Association, (NRHA), hardware sales at home centers dropped from $140.78 to $130.67 per square foot between 1984 and 1985 (the last year for which data is available).

Hardware sales were down as a percentage of total sales in lumber yards and hardware stores as well as home centers.

Sales to inventory ratio also took a dip in hardware stores and home centers, and raised 0.4 percentage points in lumber yards.

Hardware holds close to 10 percent of inventory in home centers and lumberyards, while it secures over 18 percent in hardware stores.

Hardware holds a gross margin close to 40 percent in all three categories with hardware stores being a bit higher and lumber yards lower, at 37.7 percent.

Overall, hardware sales as a portion of total sales in home centers are the lowest they've been in four years. Sales in 1985 were 2.0 percentage points lower than the 11.1 percent high earned in 1983 and turns also slumped from a 1984 high of 5.3 times to a 1985 low of 4.7 times. 1981 remains the low year with sales per square foot at 7.3 percent.

Conversely, in hardware stores, 1981 marked the year with the highest percentage of hardware sales to total sales, at 22.2 percent, reaching the low last year at 16.5 percent.

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European look adds sparkle to plumbing departments

Plumbing: Departmental contribution and productivity

	$ sales per sq. ft. sales area		Gross margin %		Sales to inventory ratio		GMROI	
	1985	1984	1985	1984	1985	1984	1985	1984
Retail home centers*	130.72	143.50	36.9	37.6	5.1x	5.1x	1.82	1.92
Lumber/building material outlets**	156.64	198.75	34.3	30.9	3.9x	4.1x	1.32	1.24
Hardware stores	111.53	137.57	44.1	43.0	4.6x	4.5x	1.98	1.85

*A retail outlet which carries the basic hardlines of hardware, tools, plumbing and heating equipment and electrical supplies as well as lumber and building materials.

**A lumber building materials outlet that actively pursues and derives a portion of its total sales from the consumer DIY market; must have a retail sales floor and carries basic hardlines in addition to lumber/building materials.

GMROI—Gross Margin Return on Inventory

Source: National Retail Hardware Association; Home Center Institute

By an NHCN staff editor

NATIONAL REPORT — Although the bathroom continues to be the "hot" sell in home centers, plumbing, heating and cooling sales have not yet reached the portion of total revenues expected by many retailers.

The movement of high-end products—like European and decorative-look faucetry and higher quality sinks of varying colors and materials—made its mark last year.

The National Retail Hardware Association's (NRHA) annual "Bottom Line" figures indicate turnover and margins stayed flat or eroded in 1985 (the last year for which data is available).

While the European look arrived in great force last year, plumbing, heating and cooling sales in home centers dropped one percentage point to 6.6 percent of total sales. Yet an *NHCN* survey in April 1986 of 50 retail companies and 38 manufacturers found dealers expected plumbing and bath sales to account for 12.1 percent of total sales.

In hardware stores, net sales of plumbing, heating and cooling products as a percentage of all sales slipped more than two points to 13.5 percent comparing 1985 to 1984. Sales in the category dropped 1.2 points to a total of 3.8 percent of total lumberyard sales.

Sales per square foot in the category dropped more than $13 in home centers to $130.72 in 1985 from a four-year record high of $143.50 in 1984.

Lumberyard and hardware store sales per square foot of the product also fell in 1985 compared to 1984; lumberyards experienced a $42.11 drop per square foot and hardware stores a $26.04 per square foot drop in sales.

The "Bottom Line" results showed gross margin return on investment (GMROI) at home centers weakened slightly, to an average $1.88 in 1985 versus $1.92 in 1984. Plumbing inventory turns at home centers stayed at an average 5.1 for both years.

Hardware stores were able to slightly increase sales to inventory ratio (from 4.5 percent in 1984 to 4.6 percent in 1985), but boosted gross margins to $1.98 from $1.85 in 1984. Lumberyards were likewise able to boost gross margins from $1.24 to $1.32, 1985 over 1984, but lost a bit of ground on turns.

Lawn & garden experiences banner year

(Continued from page 56)

ages from 33.2 percent to 31.3 percent.

Looking back over the past five years at lawn and garden performance in home centers, 1985's higher sales do not translate to an increased percent of net sales. 1985 was second to the bottom at 5 percent, with 1981 lowest at 4.6 percent.

Lawn and garden's best of the past five years with regard to this percent was 1983 when 9.4 percent of net sales was secured.

Hardware store category

In the hardware store category, lawn and garden made up 11.0 percent of net sales. In a five-year history, this was second only to 1982 when 11.3 percent was secured by lawn and garden.

The low year for hardware was 1983 with 9.5 percent of net sales.

Gross margin return on investment peaked in 1985 at $1.66, up from $1.40 in 1984.

And, in the lumber store category, 1985 was near the top of net sale percent at 1.6 percent, second to 1981 with 1.7 percent.

Sales per square foot for the category at lumberyards took a relative plunge in 1985 at $130.32, down from $175.27 in 1984.

Sales to inventory ratio moved only slightly from 5.0 times to 4.9 times.

Gross margin return on investment also enjoyed a five-year high in lumber yards at $1.64, up from $1.33 in 1984.

Developments in 1986

And 1986 brought some interesting developments to the field.

In an attempt to perhaps outdo mother nature herself, Weyerhaeuser, the forest products giant, introduced a preservative of sorts for dead plants which ensures that color is never lost and maintenance never required.

Though the plants are dead, they maintain the feel and appearance of a living plant.

In the "greener grass" category, a Canadian entrepreneur, Barry Linder, created a process for turning dead grass green with an aerosol product called Lawn Makeup.

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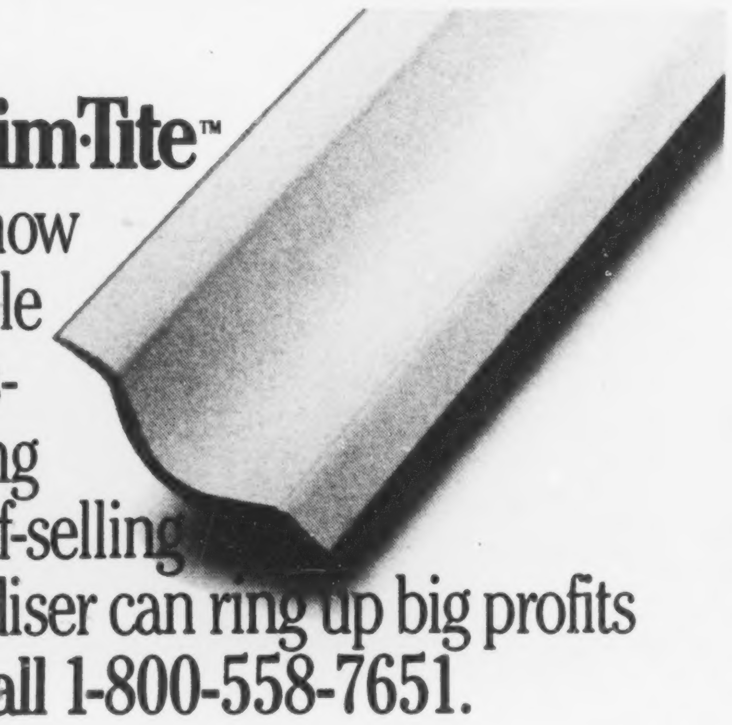

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Circle 071 on Reader Service Card

California, Texas and Florida top state sales list

By an NHCN staff editor

NATIONAL REPORT — Building material retailers in California will have a lot to smile about—maybe $10 billion worth of smiles—if projections from *Editor & Publisher's 1987 Market Guide* hold true.

According to *E & P's* annual survey of top retail markets this year, sales of building materials in California will soar to $9.9 billion, nearly five times the national average.

Editor and Publisher's annual market guides are based on U.S. Census data and the 50 states' economic forecasts.

Texas and Florida continued to hold on as the industry's second and third best markets. Despite its economic slump, Texas is projected to hit sales of $7.5. Florida should reach $5.1 billion. New York and Illinois maintained fourth and fifth position, with industry sales in those states expected to hit $4.5 billion and $3.6 billion respectively.

California is able to retain its perennial title as the top building material and total retail sales state despite having only one of its metropolitan markets, Los Angeles/Long Beach, in the top ten metro regions.

But what a market it is.

Los Angeles/Long Beach is not only the nation's leading retail and building material metropolitan sales market, but the metro area's lumber and building materials sales—projected to exceed $2.3 billion this year—is higher than that of 36 states. Just slightly lower than the state volume of Massachusetts, Los Angeles/Long Beach would be in the 12th position if it were a state measured on lumber and building material sales.

> California is able to retain its perennial title . . . despite having only one of its metropolitan markets, Los Angeles/Long Beach, in the top ten metro regions.

The bounty that is California is also reflected by other measurements. Five of the top 21 metropolitan markets for industry-related retail sales are in California, with most of them improving on their 1985 ranking. Aside from the Los Angeles market, the other regions include Anaheim-Santa Ana (number 13 with projected sales of $1.08 billion, Riverside/San Bernardino (number 14 at $911 million), San Diego (number 17 at $800 million) and Oakland (number 21 at $731 million).

The retail sales survey for 1987 presented some grim outlooks as well, especially for oil-producing states.

With the exception of Dallas, which held its ranking as the industry's 12th largest retail market with sales expected to hit $1.05 billion, nearly all other cities in oil-producing states are expected to lose ground. Houston dropped from third place to sixth, Oklahoma City dropped from 24th to 26th and New Orleans went from 40th to 47th.

In one of the more arresting finds in this year's survey, the number of metropolitan areas that may enjoy lumber and building materials sales in excess of a billion dollars doubled. In the 1986 survey, Los Angeles, Chicago, Philadelphia, Houston, New York and Atlanta were slated to make sales over $1 billion. But the billion dollar club will add seven new member metro areas in 1987 to include Detroit (sales projected at $1.2 billion), Nassau-Suffolk, N.Y., ($1.1 billion), Minneapolis-St. Paul ($1.1 billion), Boston ($1.1 billion), the District of Columbia ($1.0 billion), Dallas ($1.0 billion) and Anaheim-Santa Ana, Calif. ($1.0 billion).

National Projection of Building Material Retail Sales

States	1987 Retail Bldg Mat'l Sales Rank	1987 Bldg Mat'l Sales Volume (in $ thousands)	Total Retail Sales Rank
Alabama	26	$1,305,816	24
Alaska	38	633,406	43
Arizona	23	1,438,382	23
Arkansas	33	841,886	31
California	1	9,997,757	1
Colorado	20	1,716,211	22
Connecticut	27	1,283,859	21
Delaware	48	278,697	46
District of Columbia	50	69,750	49
Florida	3	5,162,129	4
Georgia	11	2,513,539	11
Hawaii	49	261,098	40
Idaho	41	427,215	42
Illinois	5	3,618,849	5
Indiana	15	1,935,689	12
Iowa	29	1,216,762	29
Kansas	30	1,008,600	30
Kentucky	28	1,271,250	27
Louisiana	19	1,811,675	20
Maine	40	586,375	39
Maryland	22	1,486,190	13
Massachusetts	13	2,312,185	9
Minnesota	12	2,319,704	16
Mississippi	32	847,374	32
Missouri	17	1,884,267	15
Montana	43	404,342	44
Nebraska	35	708,287	39
Nevada	40	510,584	38
New Hampshire	36	694,703	37
New Jersey	10	2,531,165	8
New Mexico	34	712,666	33
New York	4	4,582,843	3
North Carolina	8	2,986,589	10
North Dakota	42	406,991	45
Ohio	7	3,251,940	7
Oklahoma	24	1,433,516	25
Oregon	31	922,787	28
Pennsylvania	6	3,612,726	6
Rhode Island	46	320,001	41
South Carolina	25	1,351,933	26
South Dakota	45	339,656	47
Tennessee	21	1,592,722	17
Texas	2	7,509,681	2
Utah	38	656,632	34
Vermont	44	340,854	48
Virginia	14	1,992,567	14
Washington	16	1,875,296	19
West Virginia	37	667,297	35
Wisconsin	18	1,835,569	18
Wyoming	47	305,203	50

Source: *Editor and Publisher* estimates

Top Metropolitan Markets for 1987

Rank (1986 Rank)	1987 Retail Bldg. Bldg. Mat'l Sales (in $ millions)	1987 Total Retail Sales Rank
1 (1) L.A.-Long Beach, Calif.	$2,290.5	1
2 (2) Chicago	1,667.3	3
3 (4) Philadelphia	1,433.7	4
4 (6) Atlanta	1,320.2	11
5 (5) New York	1,315.2	2
6 (3) Houston	1,283.8	10
7 (7) Detroit	1,191.6	6
8 (8) Nassau-Suffolk, N.Y.	1,182.6	8
9 (9) Minneapolis-St. Paul, Minn.-Wis.	1,169.7	13
10 (10) Boston	1,149.6	7
11 (11) Washington, D.C.	1,099.6	5
12 (12) Dallas	1,056.7	9
13 (13) Anaheim-Santa Ana, Calif.	1,008.1	12
14 (14) Riverside-San Bernardino, Calif.	911.1	23
15 (19) St. Louis	901.1	15
16 (15) Phoenix, Ariz.	887.6	16
17 (21) San Diego, Calif.	800.1	14
18 (17) Tampa-St. Petersburg, Clearwater, Fla.	788.3	19
19 (16) Denver	785.6	22
20 (18) Seattle	778.0	21
21 (22) Oakland, Calif.	731.3	18
22 (20) Baltimore	708.2	17
23 (27) Sacramento, Calif.	600.6	33
24 (23) Fort Worth-Arlington, Tex.	576.8	32
25 (28) Newark, N.J.	576.8	24
26 (24) Oklahoma City	517.4	44
27 (31) Austin, Tex.	559.0	49
28 (25) Pittsburgh	555.9	27
30 (26) San Jose, Calif.	555.5	28
31 (29) Kansas City, Mo.-Ill.	548.7	30
32 (32) San Antonio, Tex.	536.2	37
33 (30) San Francisco	528.2	20
34 (34) Orlando, Fla.	512.5	39
35 (35) Cleveland	487.4	26
36 (33) Miami-Hialeah, Fla.	473.4	25
37 (36) Charlotte, N.C.	472.3	42
38 (39) Bergen-Passaic, N.J.	459.6	31
39 (41) Cincinnati	448.3	34
40 (37) Monmouth-Ocean, N.J.	391.3	45
41 (43) Fort Lauderdale-Hollywood, Fla.	429.7	29
42 (45) Columbus, Ohio	422.8	35
43 (38) Indianapolis, Ind.	418.6	42
44 (42) Norfolk, Virginia Beach, Newport News, Va.	411.7	41
45 (46) Milwaukee	407.2	36
46 (44) Salt Lake City	406.4	54
47 (40) New Orleans	398.8	38
48 (48) Greensboro-Winston-Salem, N.C.	380.2	50
49 (47) Anchorage, Ala.	360.5	110
50 (49) Louisville, Ky.	359.5	52
51 (50) Portland, Ore.	342.4	40
52 (51) Hartford, Conn.	311.7	56
53 (52) Rochester, N.Y.	318.2	55
54 (—) Buffalo, N.Y.	209.7	60

Retailers shift to distributors for bldg. materials

By an NHCN staff editor

NATIONAL REPORT — Retailers are de-emphasizing "direct buying" of lumber and building materials from manufacturers, and shifting to independent distributors for supply of these products.

In fact, commodities distributors claim that even some warehouse home center chain operators who once portrayed independent building material distributors as unnecessary "middlemen" now rely on commodity-oriented wholesalers.

Other retailers are returning to distributors in part to compete in a changing marketplace where distributor-provided services have, in many instances, become more critical than direct-sourcing to get the lowest price.

"Most manufacturers are simply not capable of providing the services dealers need in these products," noted Jack Armstrong, executive vp for U.S. Plywood. "And now the sophisticated dealers are paying more attention to cash flow, the cost of money and making a profit on the sell side of the business."

Distributors' response

Responding to this retailer enthusiasm, distributors (which still get anywhere from 10 percent to more than 50 percent of their sales from drop shipment to contractor job sites) say they are improving the array of services and programs they are offering to retailers, including boosting sales assistance and educational services *(see other story)*.

"Five to seven years ago, it was a 'buy direct' craze," recalled Rich Viola, marketing manager for Furman Lumber, Boston, which counts The Home Depot among its major accounts.

"Now, retailers are looking at their GMROI's [gross margin return on investment]. They are asking themselves,

(Continued on page 66)

Leading Building Material Distributors

Company	Distribution Volume 1986	Units
Georgia-Pacific Corp. Atlanta, Ga.	$3.8 bil.	141
Weyerhaeuser Co. Tacoma, Wash.	$1.6 bil.	60
U.S. Plywood Corp. Wilton, Conn.	$980 mil.	44
Owens-Corning Fiberglas Toledo, Ohio	$380 mil.	25*
MacMillan Bloedel Hillside, N.J.	$340 mil.	13
Huttig Sash & Door† Chesterfield, Mo.	$290 mil.	42
Sequoia Supply Irvine, Calif.	$275 mil.	33
Boise Cascade Boise, Idaho	$250 mil.	9
International Paper Shawnee Mission, Kan.	$250 mil.	25
Furman Lumber Inc. Boston, Mass.	$237 mil.	21
Palmer G. Lewis Co. Auburn, Wash.	$235 mil.	18
Ply-Gem Industries New York, N.Y.	$226 mil.	17
Universal Forest Products Grand Rapids, Mich.	$187 mil.**	17
Pacific Supply Co. Sacramento, Calif.	$160 mil.	20

*Based on sales from 47 distribution centers, of which OCF closed 22 last year as part of its restructuring. The company currently has 20 DCs left open.

**On Dec. 27, 1987, Universal Forest Products purchased Far West Fir Sales, Huntington Beach., Calif., which included three distribution centers not added to the totals above. The company estimates its total sales in 1987 related to commodities distribution to be between $350 million and $400 million.

†Huttig specializes in millwork distribution.

Source: *NHCN* Research, company officials.

Low mortgage rates fuel remodeling activity

By an NHCN staff editor

NATIONAL REPORT — Consumers spent an estimated $92.9 billion remodeling their homes last year, a 15.9 percent increase over 1985, according to a Merrill Lynch economist.

This year, that total is expected to top the $100 billion mark, forecasted Richard Mount, senior economist and manager of housing construction material research for Merrill Lynch Economics.

He said activity should rise about 11 percent to $102.2 billion.

Mount said activity will be fueled by strong housing starts and resales numbers recorded early this year and the availability of home equity financing as encouraged by the new tax law. Recently higher interest rates should make remodeling more attractive than buying a new home, he said.

The big increase in remodeling recorded in 1986 was fueled by relatively low mortgage rates, which hit 9.5 percent for 30-year loans in many areas of the country. The low rates helped cause both housing starts and resales, to increase over 1985.

These conditions also encouraged more high-ticket remodeling projects, said Gopal Ahluwalia, assistant staff vp at the National Association of Home Builders (NAHB).

Ahluwalia estimated remodeling activity totaledmore than $90 billion last year. "I'll peg it up to $90 billion easily," said Ahluwalia, noting he is redoing his estimate.

Recently, the Commerce Department issued a report on third-quarter 1986 remodeling activity, the most recent statistics available. That report stated that total expenditures for maintenance, repairs and construction improvements was a seasonally adjusted $102.5 billion, 23 percent above second-quarter 1986 and 30 percent above the same quarter in 1986.

This number surprised both Mount and Ahluwalia causing both men to amend earlier forecasts for 1986 remodeling activity. As late as early April, Mount predicted 1986 remodeling activity would total $88.7 billion. Ahluwalia had projected $87 billion.

Mount now estimates fourth quarter 1986 will produce $94 billion in seasonally adjusted remodeling activity.

Fourth-quarter remodeling statistics should be available this month and first-quarter 1987 is scheduled for release in August, which would bring the Commerce Department current, a spokesman said.

According to the third-quarter report, almost half the $102.5 billion, or $62 billion, in maintenance and repairs was identified as "Improvements." Of that, $42.6 billion was in additions and alterations and $19.4 billion was in major replacements.

Although the improvements category accounted for the lion's share of total expenditures, maintenance and repairs, the other category, produced the larger quarterly increase.

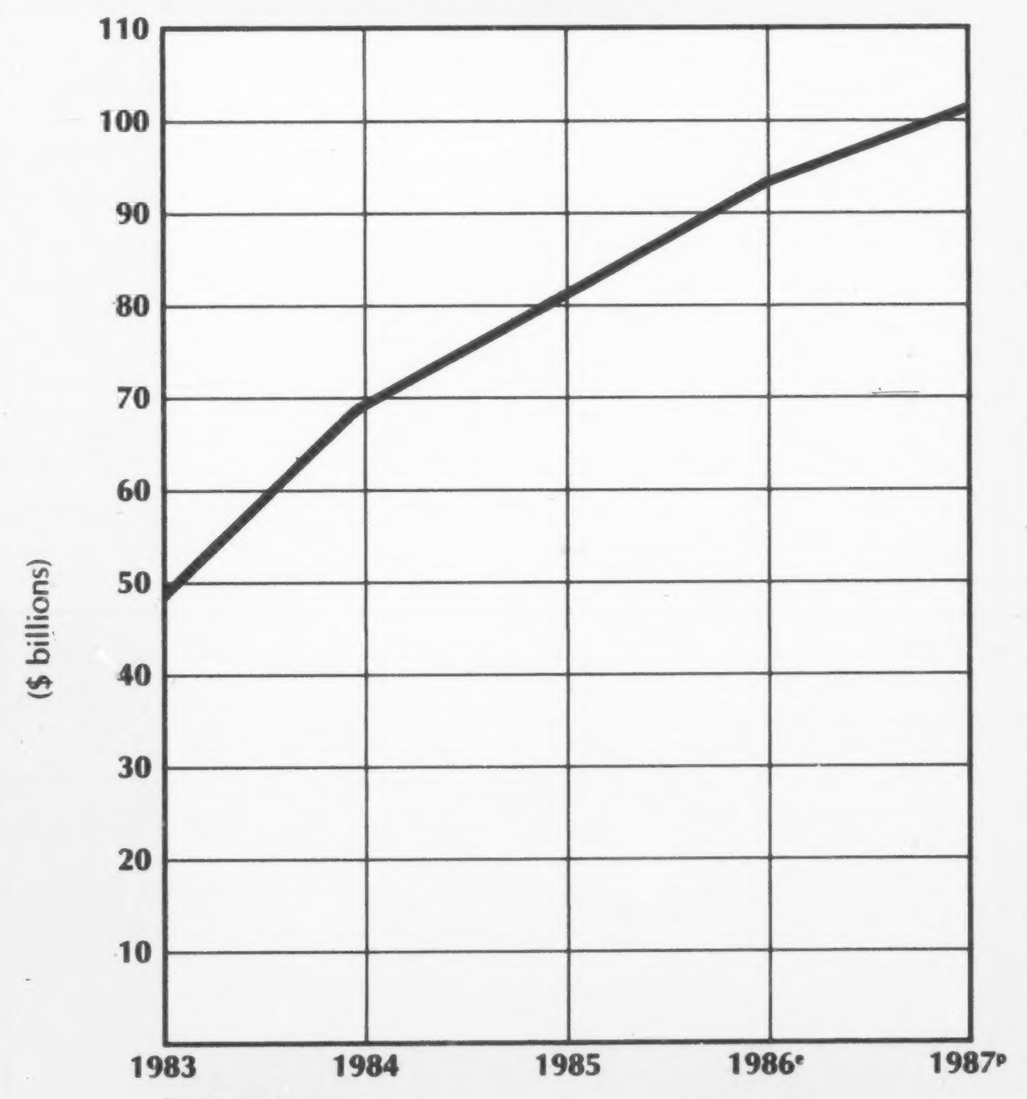
Maintenance and repairs totaled $40.5 billion in third-quarter 1986, up 36 percent from second-quarter 1986 and 3.8 percent from fourth-quarter 1985.

The improvements category, however, recorded the larger annual increase, up 35 percent from third-quarter 1985. Expenditures rose 15.8 percent from the second quarter to third quarter 1986.

Additions and alterations rose 7.5 percent from second-quarter 1986 and 37 percent from third-quarter 1985. Major replacements rose 39.5 percent and 32 percent respectively during this third-quarter period.

Residential Alterations and Repairs

Annual Totals



ᵉ-estimated
ᵖ-projected

Source: U.S. Commerce Dept.

Expenditures by Residential Property Owners

Seasonally adjusted for 1986

(millions of $)

1986	Improvements			Maintenance & Repairs	Total Expenditures
	Additions & Alterations	Major Replacements	Total		
1st qtr.	33,900	20,200	54,100	37,700	91,800
2nd qtr.	39,600	13,900	53,500	29,800	83,000
3rd qtr.	42,600	19,400	62,000	40,500	102,500

Source: U.S. Commerce Department

NBMDA: Education is major priority

By an NHCN staff editor

DEERFIELD, Ill. — The National Building Material Distributors Association (NBMDA) has targeted education as a major priority for its distribution membership.

James C. Stanley, NBMDA's director of education, said the NBMDA has formed an education committee which meets two or three times a year. The association has 300 distributor members who operate 1,500 distribution locations in the U.S., Canada and two countries overseas.

At a meeting held in early May, manufacturers, for the first time, were invited to participate on the committee. Attendees included Armstrong World Industries, Koppers Co. and Olympic Stain.

NBMDA asked manufacturers to participate "because of the expertise they carry in training," said Stanley, noting that Armstrong operates a studio for videotaping, "which is virtually unheard of among distributors.

"We have opened things up to get the manufacturers' expertise to combine efforts to put out an education program that will help the retailers," he said.

Providing better service

Chairman of the committee is Paul Hylbert, president of Sequoia Supply, Irvine, Calif.

"The education committee is faced with a critical issue: How do we provide better service to our customers," explained Hylbert. "The way we provide it is by having better-educated members. The better training and education we can provide to our salespeople, drivers and warehouse personnel, the better we can provide services to our retail customers."

Educating management

For the past three years, NBMDA has offered continuing education for middle management. For top management, the chief executive and owner-operator, NBMDA sponsors a annual leadership conference.

"The continuing education program targets training of distribution personnel, where there is constant turnover," Stanley said. Topics covered include program selling, inventory control and how to use computers more effectively.

Stanley said there is a shortage of qualified people in the wholesale distribution network. For distributors to expand their customer base will require better-trained salespeople.

Retailers shift to distributors for building materials

(Continued from page 64)

'Should I pay 10 percent more and turn my inventory 10 times a year instead of six times a year [from direct-shipped items]?' "

The importance of commodities distributors is best demonstrated by the fact that Lowe's and Wickes were the two biggest customers of the 13-warehouse MacMillan Bloedel Building Materials, Hillside, N.J., according to the company's sales manager Bob Borstelmann.

And last year, Boise Cascade saw the pendulum swinging back in favor of the commodities distributors and developed a national accounts department "to get greater penetration with some of the larger chains," said general manager Art Phillips.

Industry growth one key

James C. Stanley, director of education of the Deerfield, Ill.-based National Building Material Distributors Assn. (NBMDA), said industry consolidation has been a major factor in the distributor's changing role.

"Since 1983, we have seen the number of players in the market consolidate," said Stanley. "But, overall, the market has expanded. The bigger distributors are getting stronger and stronger."

Last year Canfor USA severely streamlined its distribution operations.

Company president Harry Unruh said the Boise, Idaho, firm sold operations in Kansas, Texas, California and Oregon, but kept its New England division and expects to post sales of $60 million in 1987 compared with $122 million last year.

Unruh said economic factors were not to blame for Canfor's cutbacks: "We just scaled down; we had to get rid of our losers." Canfor now concentrates on remanufacturing of pine boards cut-to-length and shipped to home centers nationwide.

The NBMDA's Stanley, meanwhile, said some members also express concern with the expanding market share of programmed wholesalers and co-ops that are selling direct. But he added that "there have always been issues that take business away from wholesale distributors."

Optimistic outlook

Most building products distributors expressed their future prospects in positive terms, however.

"You can't eliminate the need for a distributor," said Dick Lundgren, Weyerhaeuser's national manager, special building products for its western region sales and marketing division. "Somebody has got to do the function. The distributor is more important today than two or three years ago."

Lundgren is former president of Palmer G. Lewis and past chairman of NBMDA's strategic planning council.

Paul Hylbert, president of Irvine, Calif.-based Sequoia Supply (which recently spun off from Wickes Cos.), added that the retailers' direct-buying issue "is not on the forefront as much as when warehouse chains were at their zenith.

"More retailers are recognizing the cost of distribution and the value of having independent distributors out there to provide materials and services on a timely basis."

Dealers also "aren't as price oriented as they once were. They are most oriented to the service aspect," noted Jim Ben Edens, president of PGL Building Products, the Auburn, Wash.-based Palmer G. Lewis subsidiary. "Home centers are looking at their total procurement costs, not just if they can save an extra penny."

"I wish I could tell you it is because we are doing our job better, but it is actually a combination of a lot of things," he said.

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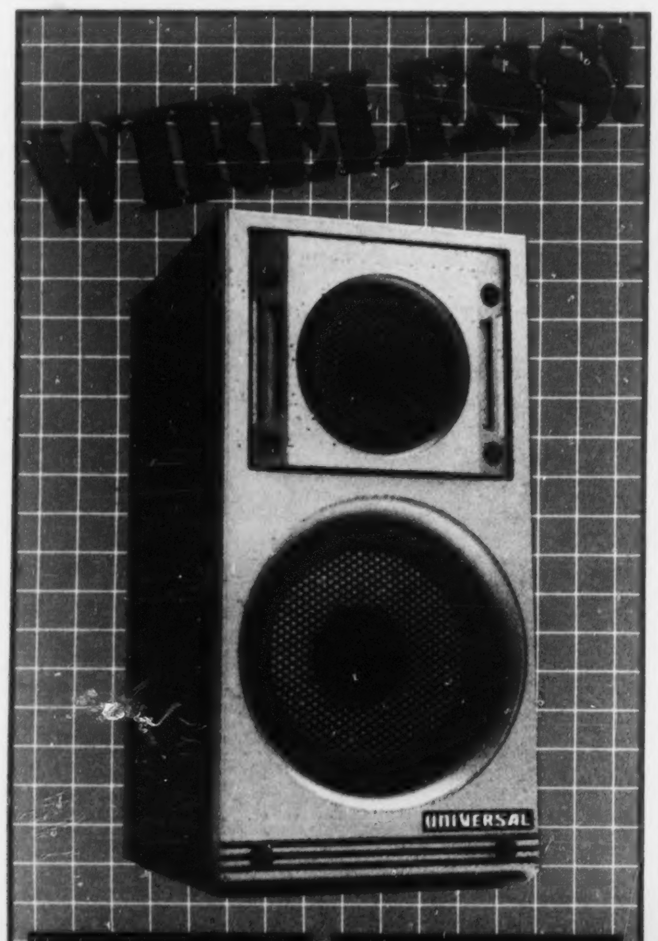

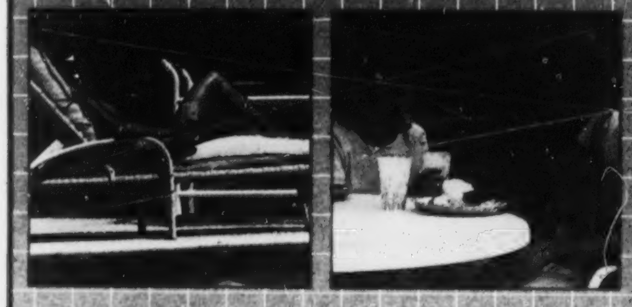

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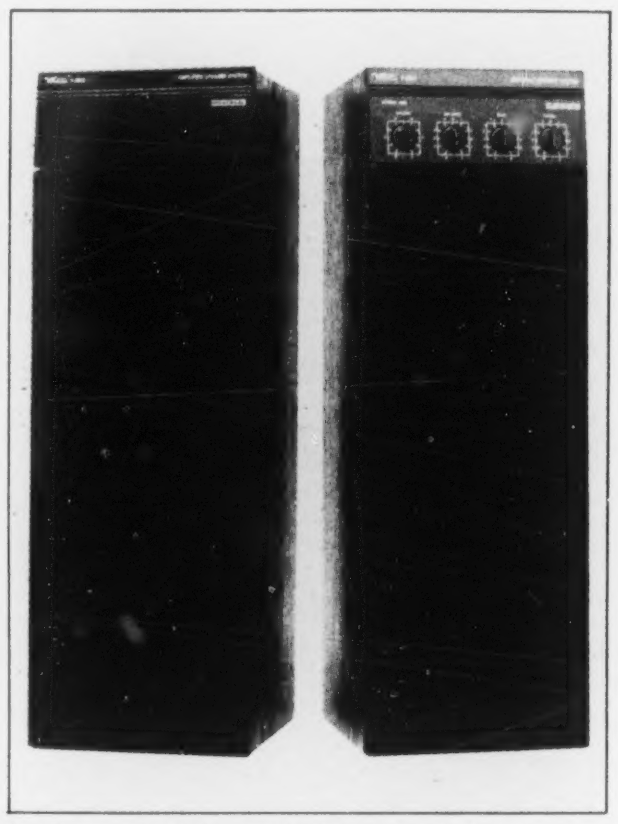

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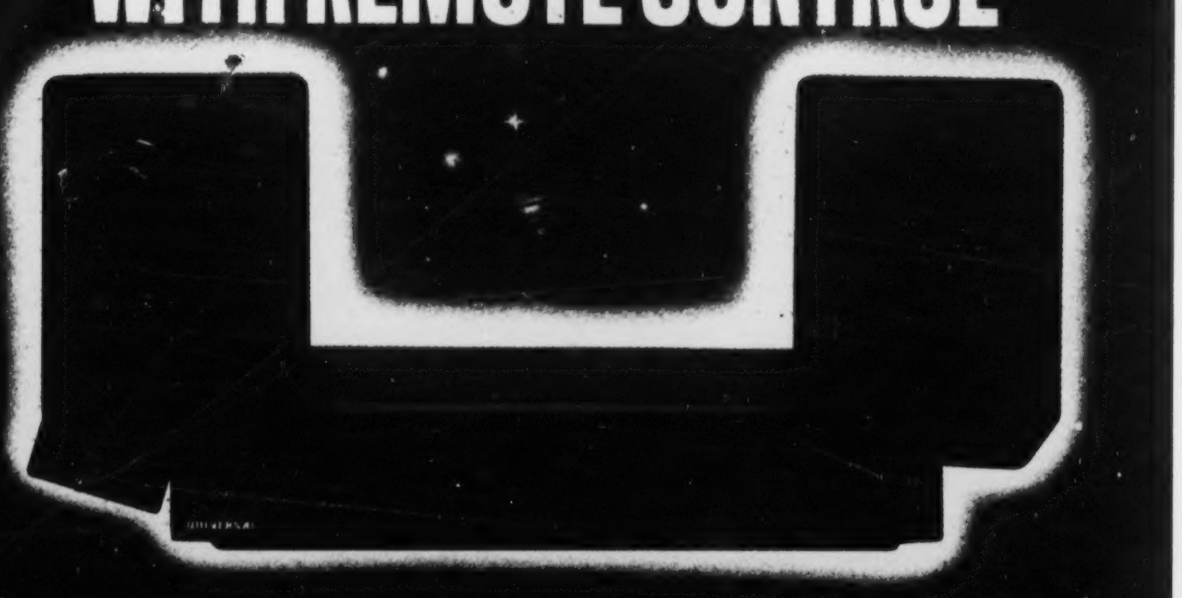

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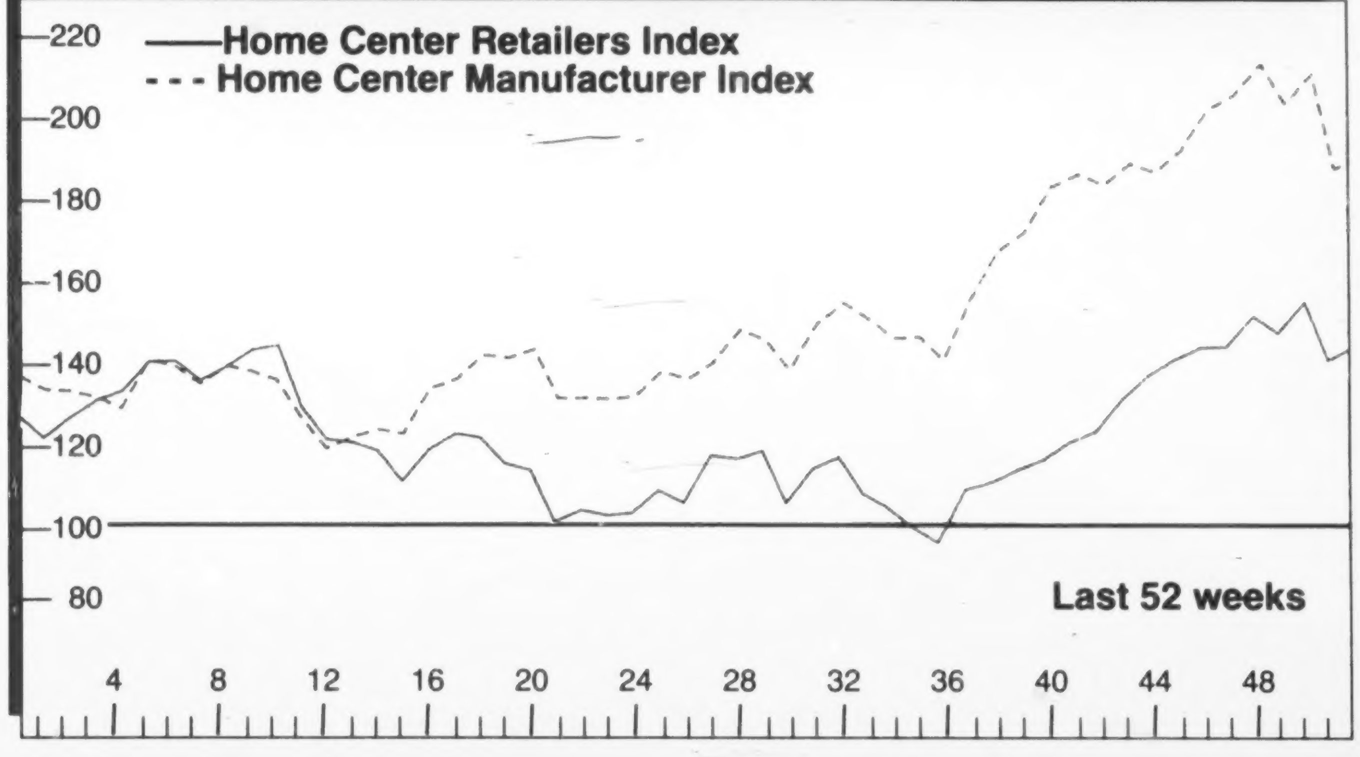
FINANCIAL NEWS

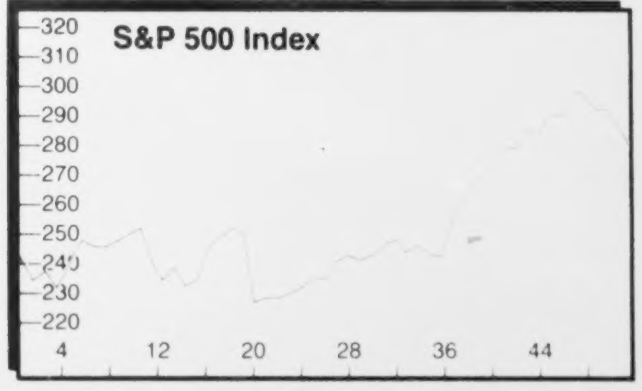


The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on Feb. 1, 1985, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

MOST ACTIVE STOCKS

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
5-1-87	(100)	%	%
Mich General .... A	10,873	- 18.2	305.3
Black & Decker .... N	51,536	12.9	212.3
Supermkts Gen .... N	100,328	9.8	186.8
Masco Corp .... N	34,728	- .7	183.2
Armstrng Wrld .... N	15,484	.7	173.9
Walter, Jim .... N	12,226	- .2	169.2
Grace W R .... N	43,493	2.5	169.2
Lowe's Cos .... N	14,684	- 10.3	155.9
Certain-teed .... N	3,573	15.7	144.2
Potlatch Cp .... N	3,231	- 7.6	143.0

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.*



PRICE MOVEMENT

Winners Company & Market	2-Weeks Ended 5-1	2-Week Price Change	Total 2-Week Volume
5-1-87	$	%	(100)
Certain-teed .... N	3,573	40.50	15.7
Black & Decker .... N	51,536	21.88	12.9
Supermkts Gen .... N	100,328	45.00	9.8
Natl Lumber .... M	1,186	6.25	8.7
Waxman Ind .... M	1,188	10.88	7.4
Emhart Corp .... N	6,530	41.75	7.1
Stanley Works .... N	8,265	32.88	6.0
USG Corp .... N	10,118	39.00	5.8
Hechinger B .... M	1,441	22.75	5.8
Owens Corn .... N	27,917	28.38	5.1
Losers	$	%	(100)
Mich General .... A	10,873	1.13	- 18.2
Allegheny Int .... N	10,607	21.00	- 13.4
Svc Merchandise .... M	15,585	5.50	- 12.0
Natl Hardgoods .... M	96	8.00	- 11.1
Lowe's Cos .... N	14,684	26.25	- 10.3
Wickes Cos .... A	84,687	3.25	- 10.3
Payless Cash .... N	10,567	22.13	- 9.2
Zayre Corp .... N	30,218	23.63	- 8.7
Potlatch Cp .... N	3,231	70.25	- 7.6
Macmillan Bloedel .... M	19,683	19.00	- 6.7

National Home Center News

HOME CENTER MARKET SUMMARY

	Stock Market											Financial Update																	
	Price							Volume					Indicated Divd. Rate		Latest Report			Latest Quarter						Year-to-Date					
	2-Weeks Ended	2-Weeks Change		2-Week Range		52-Week Range		2-Weeks Shares Traded		12-Week Avg. Vol.	Volume Trend	P/E			New		Date	Revenue		Net Income		E.P.S.		Revenue		Net Income		E.P.S.	
Company and Market	5-01-87	Amt.	Pct.	High	Low	High	Low	Total	% Out	As % Out	Change	Ratio	Amt.	Yld.	Report	Period	Ended	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.
-	$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																													
Forest City Ent .... A	35.38	- 2.13	-5.7	37.25	35.00	39.38	28.75	46	.06	.03	100.0	21.6	.30	.8	.....	fiscal	01-87	39.1	- 51.7	2.5	19.0	.31	14.8	232.8	- 17.2	13.1	129.8	1.64	127.8
Grace W R .... N	66.38	1.63	2.5	69.00	63.25	69.00	45.25	43,493	10.47	3.89	169.2	NE	2.80	4.2	NEW	3 mos.	03-87	962.6	- 23.0	39.3	NE	.83	NE	962.6	- 23.0	39.3	NE	.83	NE
Grossman's Inc .... M	9.88	- .13	- 1.3	10.00	9.75	11.25	6.75	1,722	.86	.63	36.5	NE	.00	.0	NEW	3 mos.	03-87	192.0	- 18.3	(6.5)	NE	(.32)	NE	192.0	- 18.3	(6.5)	NE	(.32)	NE
Hechinger A .... M	22.50	1.00	4.7	22.50	21.00	23.59	16.00	5,059	4.63	3.79	22.2	NA	.16	.7	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B .... M	22.75	1.25	5.8	22.75	21.00	23.75	16.25	1,441	.88	.41	114.6	24.7	.06	.3	.....	fiscal	01-87	140.3	20.1	8.7	31.8	.28	27.3	588.4	22.8	28.3	22.5	.92	17.9
Home Depot .... N	28.00	- 1.25	- 4.3	29.38	26.00	30.75	15.88	15,071	5.42	3.20	69.4	31.1	.00	.0	.....	fiscal	01-87	273.9	34.5	7.7	196.2	.27	145.5	1011.5	44.4	23.9	191.5	.90	172.7
INTERCO Inc .... N	40.25	- 1.25	- 3.0	41.50	37.13	47.63	36.63	13,500	4.74	2.41	96.7	12.9	1.60	4.0	NEW	fiscal	02-87	651.5	11.7	31.0	.3	.99	2.1	2613.7	4.1	98.6	6.8	3.13	7.2
K mart Cp .... N	60.50	- .75	- 1.2	61.50	56.88	68.00	43.25	55,557	4.17	2.33	79.0	13.9	1.74	2.9	.....	fiscal	01-87	6934.7	2.7	301.4	2770.5	2.11	2244.4	23812.4	6.2	598.7	170.7	4.35	151.4
Lowe's Cos .... N	26.25	- 3.00	- 10.3	29.75	25.00	41.50	22.50	14,684	3.71	1.45	155.9	18.6	.40	1.5	.....	fiscal	01-87	497.4	4.6	10.0	- 11.5	.25	- 19.4	2283.5	10.2	55.1	- 7.7	1.41	- 14.0
Mich General .... A	1.13	- .25	- 18.2	1.63	0.25	4.50	.25	10,873	6.08	1.50	305.3	NE	.00	.0	.....	9 mos.	09-86	78.9	- 38.5	(2.9)	NE	(.36)	NE	290.1	- 13.5	(11.4)	NE	(1.11)	NE
Natl Hardgoods .... M	8.00	- 1.00	- 11.1	9.00	7.75	10.00	6.59	96	.78	1.71	- 54.4	11.4	.00a	.0	NEW	fiscal	01-87	10.6	17.8	.5	400.0	.35	400.0	36.4	8.7	1.0	100.0	.70	94.4
Natl Lumber .... M	6.25	.50	8.7	6.75	5.25	7.50	4.00	1,186	2.11	.97	117.5	NE	.00	.0	NEW	fiscal	01-87	40.2	17.2	(1.9)	NE	(.35)	NE	151.3	11.3	(2.4)	NE	(.43)	NE
Pay n Pak .... N	20.00	- .88	- 4.2	20.88	20.00	20.88	9.50	5,702	5.70	6.29	- 9.4	35.1	.40	2.0	.....	fiscal	02-87	83.2	11.7	.4	- 69.2	.04	- 69.2	398.4	19.4	5.7	- 30.5	.57	- 30.5
Payless Cash .... N	22.13	- 2.25	- 9.2	24.75	21.50	27.00	15.88	10,567	3.05	1.97	54.8	17.7	.16	.7	.....	3 mos.	02-87	332.1	21.0	3.5	45.8	.10	42.9	332.1	21.0	3.5	45.8	.10	42.9
Scotty's Inc .... N	12.88	.00	.0	14.13	12.50	18.13	12.00	1,866	1.29	.69	87.0	17.4	.52	4.0	NEW	9 mos.	03-87	134.6	4.8	3.0	- 26.8	.21	- 25.0	378.9	5.5	7.0	- 27.8	.48	- 28.4
Sears, Roebuck .... N	52.50	.63	1.2	54.88	50.63	56.00	39.00	119,774	3.21	1.48	116.9	13.6	2.00	3.8	NEW	3 mos.	03-87	10480.0	11.6	287.9	47.4	.75	44.2	10480.0	11.6	287.9	47.4	.75	44.2
Svc Merchandise .... M	5.50	- .75	- 12.0	6.25	5.50	13.25	5.50	15,585	4.68	3.23	44.9	NE	.08	1.5	NEW	3 mos.	03-87	451.0	14.8	(18.4)	NE	(.55)	NE	451.0	14.8	(18.4)	NE	(.55)	NE
Std Brd Pnt .... N	22.75	.25	1.1	23.00	21.75	27.00	19.38	4,344	3.87	2.58	50.0	17.1	.58	2.5	.....	fiscal	01-87	73.7	2.9	2.7	68.8	.24	71.4	326.6	- 3.4	15.0	- 5.1	1.33	- 5.0
Supermkts Gen .... N	45.00	4.00	9.8	46.00	39.63	46.00	22.50	100,328	26.04	9.08	186.8	28.1	.28	.6	.....	fiscal	01-87	1434.5	5.8	19.1	- 11.6	.50	- 16.7	5507.9	7.5	60.9	- 4.4	1.60	- 10.1
Wickes Cos .... A	3.25	- .38	- 10.3	4.25	3.13	6.63	3.13	84,687	3.57	2.20	62.3	11.6	.00	.0	.....	fiscal	01-87	1408.3	NC	4.4	- 79.0	(.02)	- 100.0	4770.0	70.0	73.9	81.6	.28	154.5
Wolohan Lumber .... M	12.75	.38	3.0	13.00	12.63	13.25	7.50	2,066	3.52	2.40	46.7	11.6	.20	1.6	NEW	3 mos.	03-87	41.0	45.9	1.0	NE	.18	NE	41.0	45.9	1.0	NE	.18	NE
Zayre Corp .... N	23.63	- 2.25	- 8.7	26.13	23.00	43.88	20.75	30,218	5.12	2.54	101.6	15.2	.40	1.7	.....	fiscal	01-87	1777.0	32.4	43.8	20.3	.73	17.7	5350.6	32.6	92.4	- 2.3	1.55	- 4.3
Wholesalers																													
Moore Handley .... M	8.75	- .25	- 2.8	9.50	8.75	19.00	6.75	647	2.58	1.26	104.8	19.4	.00	.0	NEW	3 mos.	03-87	23.6	15.7	.3	.0	.14	- 30.0	23.6	15.7	.3	.0	.14	- 30.0
Palmer Lewis .... M	9.13	- .25	- 2.7	9.38	9.00	9.88	7.25	973	2.48	2.77	- 10.5	27.7	.28	3.1	.....	fiscal	01-87	46.8	53.9	.1	.0	.02	100.0	187.2	33.0	1.3	44.4	.33	43.5
Stanline Inc .... M	10.25	.00	.0	10.88	10.25	12.75	7.84	488	2.88	2.63	9.5	10.6	.32b	3.1	.....	3 mos.	01-87	14.0	4.5	.3	.0	.20	33.3	14.0	4.5	.3	.0	.20	33.3
Manufacturers																													
Allegheny Int .... N	21.00	- 3.25	- 13.4	24.38	20.50	24.75	11.38	10,607	9.79	9.33	4.9	NE	.00	.0	NEW	3 mos.	03-87	310.6	- 33.5	(38.5)	- 100.0	(3.56)	- 100.0	310.6	- 33.5	(38.5)	- 100.0	(3.56)	- 100.0
Am Consum Prods .... M	10.75	.25	2.4	10.75	10.50	10.75	8.50	419	2.18	2.10	3.8	16.3	.00	.0	NEW	3 mos.	03-87	9.2	16.5	.3	NC	.14	600.0	9.2	16.5	.3	NC	.14	600.0
Am Standard .... N	41.75	.50	1.2	44.88	38.25	51.88	36.00	6,633	1.99	1.19	67.2	7.9	1.60	3.8	.....	fiscal	12-86	769.7	- .6	33.0	- 9.1	.99	7.6	2997.7	2.9	193.2	58.2	5.28	70.3
Am Woodmark .... M	14.88	- .88	- 5.6	16.13	14.88	17.13	10.00	303	.44	.83	- 47.0	14.6	.00	.0	.....	9 mos.	01-87	26.2	7.4	1.2	9.1	.16	- 30.4	86.5	18.5	5.3	60.6	.79	17.9
Armstrng Wrld .... N	36.63	.25	.7	37.50	32.00	44.00	24.88	15,484	3.26	1.19	173.9	13.4	.90	2.5	NEW	3 mos.	03-87	541.1	25.6	31.9	39.3	.67	39.6	541.1	25.6	31.9	39.3	.67	39.6
Black & Decker .... N	21.88	2.50	12.9	21.88	19.13	23.88	14.50	51,536	8.87	2.84	212.3	36.5	.40	1.8	NEW	6 mos.	03-87	438.7	5.7	9.2	475.0	.16	700.0	967.7	3.3	31.6	40.4	.54	25.6
Boise Cascade .... N	77.13	.38	.5	80.00	74.38	86.88	51.50	14,270	4.90	2.50	96.0	20.3	1.90	2.5	NEW	3 mos.	03-87	912.2	.4	40.2	60.8	1.31	57.8	912.2	.4	40.2	60.8	1.31	57.8
Certain-teed .... N	40.50	5.50	15.7	41.38	34.25	41.38	24.63	3,573	1.88	.77	144.2	12.5	1.00	2.5	.....	3 mos.	03-87	266.8	4.6	14.5	38.1	.77	37.5	266.8	4.6	14.5	38.1	.77	37.5
Champ Intl .... N	38.13	.38	1.0	39.63	34.38	43.50	22.50	51,849	5.51	2.77	98.9	15.4	.64	1.7	NEW	3 mos.	03-87	1097.2	- 2.2	55.5	152.3	.59	195.0	1097.2	- 2.2	55.5	152.3	.59	195.0
DeSoto Inc .... N	39.00	- 1.25	- 3.1	40.00	38.38	43.75	34.25	655	1.66	.75	121.3	45.9	1.40	3.6	NEW	3 mos.	03-87	90.3	- 6.7	2.2	- 8.3	.54	5.9	90.3	- 6.7	2.2	- 8.3	.54	5.9
Emhart Corp .... N	41.75	2.75	7.1	41.88	38.88	43.25	30.75	6,530	2.11	.93	126.9	NE	1.40	3.4	NEW	3 mos.	03-87	602.6	18.2	28.0	55.6	.90	38.5	602.6	18.2	28.0	55.6	.90	38.5
Georgia-Pacific .... N	46.63	- .13	- .3	48.00	42.75	52.75	28.00	56,439	5.26	2.45	114.7	14.8	1.00	2.1	.....	3 mos.	03-87	1855.0	15.6	80.0	166.7	.71	184.0	1855.0	15.6	80.0	166.7	.71	184.0
Insilco Corp .... N	22.63	- 1.25	- 5.2	23.88	22.38	26.25	17.38	7,051	3.40	1.59	113.8	13.9	1.00b	4.4	NEW	3 mos.	03-87	175.7	- 2.6	7.8	14.7	.37	15.6	175.7	- 2.6	7.8	14.7	.37	15.6
La Pacific .... N	33.75	- 2.00	- 5.6	36.25	32.38	39.63	22.09	13,084	3.45	2.44	41.4	15.6	.80b	2.4	NEW	3 mos.	03-87	422.9	31.1	16.3	1064.3	.43	975.0	422.9	31.1	16.3	1064.3	.43	975.0
Macmillan Bloedel .... M	19.00	- 1.38	- 6.7	19.63	18.25	22.38	7.75	19,683	1.94	1.12	73.2	NA	.42	NA	NEW	3 mos.	03-87	719.4	17.3	60.4	106.8	.54	134.8	719.4	17.3	60.4	106.8	.54	134.8
Manville Cp .... N	2.75	.00	.0	2.88	2.63	3.75	1.63	10,465	4.36	2.83	54.1	.8	.00	.0	NEW	3 mos.	03-87	475.0	4.3	42.9	257.5	1.52	533.3	475.0	4.3	42.9	257.5	1.52	533.3
Masco Corp .... N	34.50	- .25	- .7	36.38	31.25	40.88	23.50	34,728	2.69	.95	183.2	22.1	.36	1.0	.....	fiscal	12-86	450.0	- 36.2	55.4	- 60.8	.41	- 42.3	1452.0	25.8	203.4	23.6	1.56	21.9
Mor-Flo Inds .... M	12.50	- .50	- 3.8	13.25	12.25	16.50	12.00	28	.11	.21	- 47.6	39.1	.01	.1	NEW	fiscal	12-86	47.3	- 10.4	(1.0)	- 100.0	(.38)	- 100.0	195.2	- 5.2	.8	- 81.0	.32	- 80.6
Newell Co .... N	34.00	- 2.38	- 6.5	36.88	32.75	39.75	24.00	1,520	1.33	.79	68.4	15.2	.84	2.5	NEW	3 mos.	03-87	101.3	7.2	6.1	48.8	.51	15.9	101.3	7.2	6.1	48.8	.51	15.9
Owens Corn .... N	28.38	1.38	5.1	29.13	25.75	30.88	8.88	27,917	7.45	4.53	64.5	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Ply-Gem .... A	15.38	- .13	- .8	16.13	15.25	18.13	10.00	1,383	1.72	1.38	24.6	16.2	.12	.8	NEW	3 mos.	03-87	70.6	39.5	3.3	65.0	.29	11.5	70.6	39.5	3.3	65.0	.29	11.5
Pope & Talbot .... N	42.00	1.63	4.0	42.50	35.50	43.50	17.75	2,674	4.45	2.93	51.9	11.0	.88	2.1	NEW	3 mos.	03-87	100.3	35.4	6.7	NE	1.10	NE	100.3	35.4	6.7	NE	1.10	NE
Potlatch Cp .... N	70.25	- 5.75	- 7.6	77.88	67.00	83.75	45.00	3,231	2.43	1.00	143.0	13.3	1.68	2.4	NEW	3 mos.	03-87	248.6	6.6	17.8	30.9	1.26	32.6	248.6	6.6	17.8	30.9	1.26	32.6
Sherwin-Wms .... N	34.13	- .75	- 2.2	36.50	33.13	38.50	22.75	9,878	2.19	1.22	79.5	14.6	.56	1.6	NEW	3 mos.	03-87	380.5	14.5	8.2	18.8	.18	20.0	380.5	14.5	8.2	18.8	.18	20.0
Stanley Works .... N	32.88	1.88	6.0	33.88	28.75	35.38	23.19	8,265	1.94	1.16	67.2	16.9	.76	2.3	NEW	3 mos.	03-87	416.8	28.6	19.2	30.6	.44	25.7	416.8	28.6	19.2	30.6	.44	25.7
Thos Inds .... N	20.38	- .25	- 1.2	20.75	19.13	22.63	15.50	668	.67	.49	36.7	15.2	.68b	3.3	NEW	3 mos.	03-87	78.7	11.2	3.8	18.8	.38	15.2	78.7	11.2	3.8	18.8	.38	15.2
USG Corp .... N	39.00	2.13	5.8	39.50	36.25	46.50	32.00	10,118	1.93	1.26	53.2	8.9	1.12	2.9	NEW	3 mos.	03-87	693.2	11.4	85.0	64.4	1.65	103.7	693.2	11.4	85.0	64.4	1.65	103.7
Walter, Jim .... N	51.25	- .13	- .2	52.13	47.38	62.25	39.50	12,226	3.85	1.43	169.2	9.8	1.40	2.7	.....	6 mos.	02-87	513.5	- .7	28.0	53.0	.86	230.8	1109.4	2.8	65.9	31.8	2.03	43.0
Waxman Ind .... M	10.88	.75	7.4	10.88	10.25	13.25	6.34	1,188	1.81	1.66	9.0	23.1	.08	.7	NEW	9 mos.	03-87	NC	NC	(.6)	- 100.0	(.10)	- 100.0	30.9	- 55.9	1.0	- 44.4	.15	- 74.1
Weyerhaeuser .... N	54.38	- 1.63	- 2.9	56.75	49.50	60.00	30.50	56,231	4.15	2.08	99.5	23.1	1.30	2.4	NEW	3 mos.	03-87	1617.3	23.8	101.9	103.8	.75	141.9	1617.3	23.8	101.9	103.6	.75	141.9

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

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National Home Center News®

Vol. 13, No. 11 $2 a copy The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. June 1, 1987

Grossman's opens first whse in 3 yrs.

By Brad Altman
NHCN staff editor

NORTH HOLLYWOOD, Calif. — Grossman's has debuted a membership warehouse here in populous San Fernando Valley, its first new unit opening in southern California since 1984.

A company official said he is hoping to open a fifth warehouse in southern California before year's end.

GROSSMAN'S
MEMBERSHIP CASH & CARRY WHOLESALE WAREHOUSE
ALL STORES CELEBRATING THE...
GRAND OPENING
OF OUR NEW WAREHOUSE IN NORTH HOLLYWOOD!
FREE! TO THE FIRST... 500 CUSTOMERS
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THIS IS NOT A SALE! THESE PRICES ARE.... EVERYDAY MEMBER PRICES!
COMPLETE CONTRACTOR ASSORTMENT
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GRAND OPENING MEMBERSHIP OFFERS!
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A $5.00 GIFT CERTIFICATE
LONG BEACH 6950 PARAMOUNT BLVD
MONTEBELLO 7601 TELEGRAPH ROAD
NORTH HOLLYWOOD 7250 LAUREL CANYON BLVD

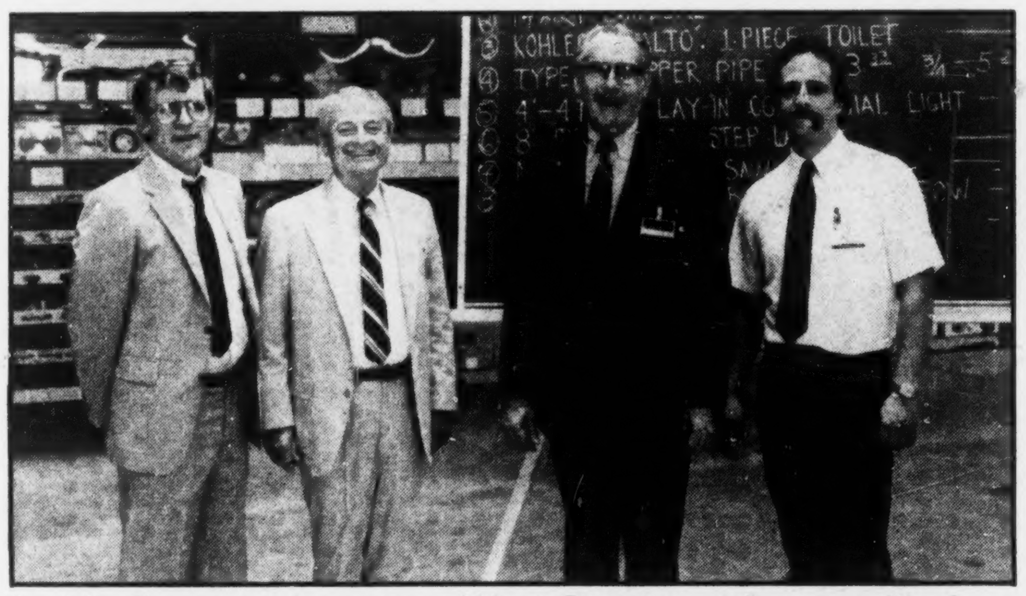
In a related development, Grossman's Western Region president Joseph Vaeth said a renovation program has begun on selected stores in the 32-unit region.

"We're upgrading plants, assortments and presentations," he said.

The late April grand opening of the North Hollywood store and launching of a regional renovation program stem from Grossman's Inc.'s formation as a new company following the emergence from Evans Products' Chapter 11.

(Continued on page 66)

Mike Grossman raises a silver-plated shovel triumphantly after breaking ground on Hanover, Mass., store. NHCN photo



Inside Grossman's newest West Coast warehouse with, from left, regional manager Rich Fiechter; Joe Vaeth, president of Grossman's Western region; Frank Lynch, evp, southern division; and Mike Carlevaro, the store's manager. NHCN photo

Chain digs in to protect Boston turf

By John Caulfield
NHCN staff editor

HANOVER, Mass. — When Grossman's Inc. broke ground on May 13 for a new 50,000-square-foot home center in this town about 40 miles south of Boston, it was symbolic of Grossman's digging in to protect what company officials see as its dominant market position here.

Mike Grossman, chairman of the 272-unit chain (who grew up in nearby Quincy, and whose company was started in the city of Boston), said the Hanover store "is a signal to the world that we are No. 1 in Boston, and intend to stay No. 1."

Hanover is the first new metro market store to be started by the company since Grossman's emerged from Chapter 11 last November. It will sit on 12 acres of land (34 percent of which will be developed specifically for the store), and cost $3 million to build and fixture.

And while the Hanover unit will closely resemble Grossman's prototype store in Rochester, N.Y., its merchandise mix will be more expansive, with beefed up hardware, seasonals, lawn and garden and storage departments. The Hanover unit will carry 16,000-plus stockkeeping units and $2 million in inventory at cost, a considerably higher stock level than Rochester.

The general contractor on the store is Mac-

(Continued on page 65)

N.Y. Rep. challenges NeRLA stand

By an NHCN staff editor

WASHINGTON — Representative John LaFalce (D-N.Y.) is a skillful devil's advocate. And those who choose to debate him better have their facts straight, lest their own arguments defeat them.

About a dozen members of the Northeast Retail Lumbermen's Association (NeRLA) got a full dose of LaFalce's methods when they visited him to discuss issues raised during the National Lumber and Building Material Dealers

(Continued on page 65)

NLBMDA meets in Washington to address pending legislation

By Milford Prewitt
NHCN staff editor

WASHINGTON — Bills that would raise the minimum wage and increase employers' health care costs were two of several initiatives lumber and building material dealers rallied against during a review of proposed federal legislation.

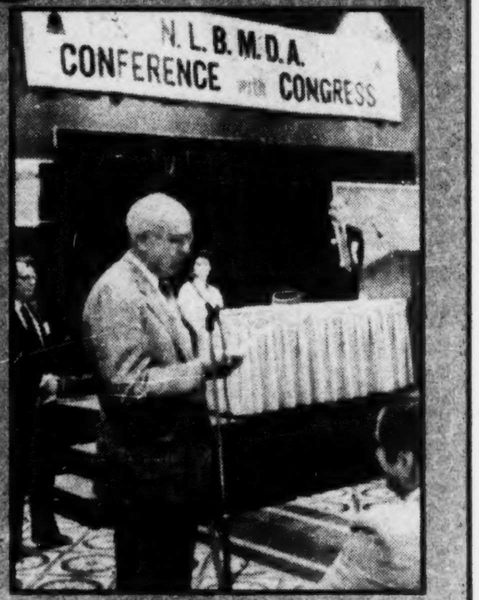
Some 160 dealer-delegates attending the National Lumber and Building Material Dealers Association's (NLBMDA) 15th Annual Conference with Congress were nearly unanimous in their opposition to five bills currently pending before the 100th Congress which, they say, will significantly increase the costs of doing business.

Harlan Hummel, the executive vp of the NLBMDA, noted that unlike previous conferences with Congress the three-day session earlier this month was one of the few that focused more on generic business matters and less so on issues specific to the industry.

An evaluation of how changes in health benefits and the minimum wage may affect home center operators can be found on page 4.

Clearly the two bills—H.R. 1834 and S. 837—aimed at raising the minimum wage

(Continued on page 66)



Ray Nunn, former president of the Lumbermen's Association of Texas, speaks against minimum wage hike. NHCN photo

Falling lumber kills child at Fla. Depot

By Laura Liebeck
NHCN staff editor

PERRINE, Fla. — A seven-year-old boy was killed in a Home Depot store in this suburban Miami town last month after a lumber cart filled with plywood tipped over onto the child.

Police and family confirmed that Elton T. Lee, of Goulds, Fla., died at the Home Depot store located at 16051 South Dixie Highway here on May 8 after being hit on the head by falling lumber.

The child was standing several feet away from the lumber cart that was parked in an aisle in the lumber department, said Elton's grandfather, Thomas Lee. The grand-

(Continued on page 66)

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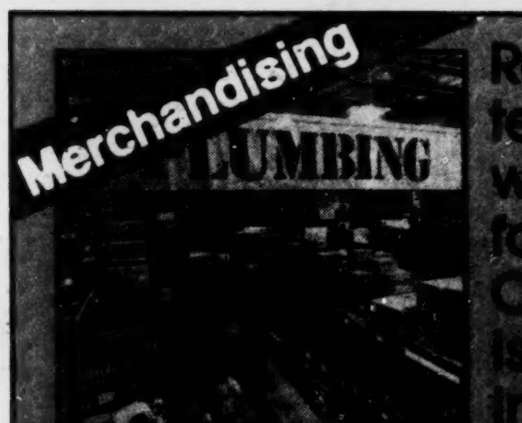


Retailers still testing waters with Euro-style faucets 28

Conservation is key factor in low-water toilet sales 30

NEWSBREAKS

LANOGA NAMES NEW CEO: Daryl Nagel, previously president of 108-unit United Building Centers, becomes head of the 322-unit retailer.

EASCO HAND TOOL GOES PUBLIC: The Hunt Valley, Md., supplier, has issued through Paine Webber 4.5 million new shares of common stock at $11 per share.

BEAVER LUMBER SELLS QUEBEC UNITS: Canada's largest building supply retailer has sold eight Le Castor Bricoleur stores to Val Royal for $10.7 million (Canadian).

INDUSTRY UPDATE

Aug. trial set for Ace assailant

KAUFMAN, Tex. — Patrick Cameron, 41, was indicted on March 31, on charges of murdering John Francis, 41, an Ace Hardware store manager here.

Francis was shot five times in the head with a 22 caliber rifle, according to police chief Jack Lawley. He was found by an assistant manager on March 24 at 7 a.m. lying by the checkout at the front of the store. Cameron reportedly stole over $5,000 in cash. He was apprehended March 28.

Cameron confessed to shooting Francis and to robbery. He could face life imprisonment or the electric chair if convicted. His trial is set for late August.

Cameron worked part time in the store for six months. After working all day March 23, Cameron returned after closing hours with a rifle, on the pretext that he wished to ask Francis how to fix the gun, according to Cindy Walker of *The Kaufman Herald*.

Coast exec gives gift to college

By an NHCN staff editor

DENVER — Coast to Coast chairman Richard Bard has endowed his alma mater, Pennsylvania State University, with a $259,000 gift for the establishment of a professorship in memory of his late parents.

A search committee has been formed to find a professor for the Irving and Irene Bard University Endowed Professorship of Business Administration at Penn State, said Charles C. DuBois, assistant to the Dean of Business Administration for Communication.

Bard graduated from Penn State in 1969 with an undergraduate degree in civil engineering.

Wickes Lumber closes 4 units

VERNON HILLS, Ill. — Wickes Lumber closed four units on May 4, reducing its store count to 237.

Bill Hensler, vp-merchandising, said the yards—located in New Iberia, and Lafayette, La.; and North Charleston, and Columbia, S.C.—"were not generating an acceptable return on investment."

Next month, Wickes Lumber will open a 20,000-square-foot unit in Boulder, Colo., and a unit in Cystral Lake, Ill., in August.

Waxman reports record sales

BEDFORD HEIGHTS, Ill. — Waxman Industries here reported the highest quarterly sales in its history for the period ended March 31.

The revenues for the plumbing, hardware and electricals distributor rose 22.1 percent to $30.9 million; net income increased 33.8 percent to $950,000, or 15 cents per share, its highest third-quarter earnings.

For the nine-month fiscal period, Waxman's sales were $84.7 million, a 20.8 percent jump, with earnings up 38 percent to $2.5 million, or 40 cents per share.

Dealer finds past in fire's rubble

SAN DIEGO — When San Diego Hardware reopens on June 13 after being severely damaged by fire last November, it will have a new department not found in most stores: a museum.

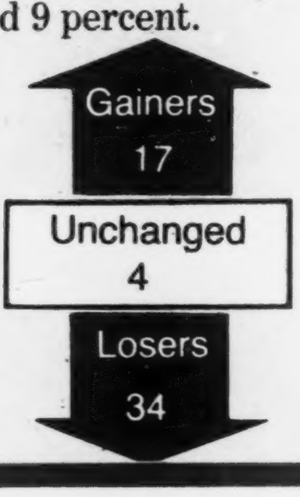
Employees salvaging the historic downtown store—which was undergoing expansion before a Thanksgiving Day fire, due to combustion of oily rags, caused $750,000 in damage—found boxes of historical memorabilia, including checks, catalogs and letters from vendors at the turn of the century. San Diego Hardware opened in 1892.

Industry stocks take a dive

Home improvement industry stocks dipped during the two-week period ended May 15, with the price of 34 public companies declining. The biggest retail loser was Payless Cashways, whose stock price dropped 9 percent.

The price for four companies remained unchanged, and 17 firms showed gains, led by Manville Corp., with an 18.2 percent price increase, and Wolohan Lumber, the Saginaw, Mich., chain which achieved record sales and earnings for the three months ended March 31. Wolohan's stock price was up 14.7 percent.

See financial tables, page 62.



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Diamond Lumber sister firm files for Chapter 11 protection

By an NHCN staff editor

CARROLLTON, Tex. — Krestmark, a manufacturer of aluminum doors and windows under the Michigan General (MGC) umbrella, filed for Chapter 11 protection from its creditors last month, 16 days after its sister company, Diamond Lumber, took the same action.

MGC, also in Chapter 11, was in the process of selling Krestmark to a company called LCB Holdings Inc., Dallas, on the same day of its Chapter 11 filing, May 8.

The day before, Diamond's creditors held their first meeting. The second creditors committee meeting was to be held on June 9 in Dallas. All of Diamond's creditors were to meet on June 8 in Dallas.

On June 4, Diamond was scheduled to release two documents with the court that would update the financial picture of Diamond: a statement of financial affairs, and a bankruptcy schedule, listing all of Diamond's current assets and liabilities.

During the first creditors committee meeting, George Wilson, southwestern regional credit manager for Weyerhaeuser, was confirmed as chairman of the nine-member group.

The creditors committee includes Diamond's nine largest unsecured trade creditors. J.D. Irving Ltd., of St. Johns, New Brunswick—with a claim of about $246,000—was added to the creditor's committee after the initial eight members were appointed in April.

Vernon Teofan with Freytag, Perry, LaForce, Rubinstein & Teofan, was named legal counsel to the creditors committee.

Krestmark's sale to pay debt

LCB, using the name Krestco Inc., a company formed to purchase Krestmark, agreed to buy the door and window manufacturer for about $6.5 million in cash and another $500,000 due six months after closing, subject to receivables being collected, explained Jerold Grubstein, president and ceo of Michigan General, and Dean Gandy, lead attorney in the bankruptcy division of Aiken, Gump, Strauss, Hauer & Feld, Dallas, legal counsel for Diamond.

Krestmark filed for Chapter 11 protection from credi-

(Continued on page 65)

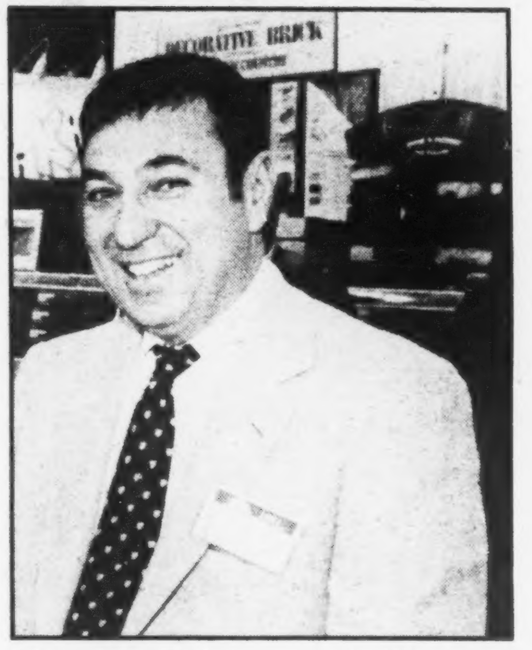
Somerville steps up expansion plans

By an NHCN staff editor

SOMERVILLE, Mass — Somerville Lumber & Supply plans to build a distribution center and possibly double its store count by the end of next year.

Harold Cohen, chairman of this Payless Cashway subsidiary, said the 500,000-square-foot, fully automated DC will be built for $20 million in Bellingham, Mass., and is scheduled to open in September 1988. Bellingham is near the northeast corner of Connecticut.

Additionally, Somerville "will have at least four new stores by the end of 1988," said Cohen. The planned stores will all be in existing markets: Hanover, Acton and Lunenberg, Mass., and Warwick, R.I. All of the stores will be newly constructed, based on the West Bridgewater prototype opened in 1985. That unit has a 56,000-square-foot retail showroom with an attached, two-floor, 106,000-square-foot warehouse.



Harold Cohen, of Somerville Lumber, reports that Somerville's April sales "were up 52.5 percent over a year ago."

Capital outlay for each store, according to Cohen, will be $4 million not including inventory costs.

Somerville places a strong emphasis on its core business of building materials, but has given added attention to kitchen and bath. Each store initially employs 130 people "and that number grows rapidly to 200," Cohen said.

Cohen emphasized that Somerville's growth has been "carefully planned" and that the company was in the process of hiring new people and installing new systems to support it. As part of that effort, Somerville has just hired Robert Wittman as its vice president of merchandise.

Wittman, 42, joined the chain on May 11 from the Bradlees Department Stores chain, where he was general merchandise manager-hardlines.

Previously, Wittman had worked for Grossman's, Somerville's main competitor in the Northeast, where he was vp and senior merchandise manager hardlines. Wittman has also worked at Supermarkets General Corp.

Cohen reported that Somerville's April sales "were up 52.5 percent over a year ago. Business has been very excellent."

Dart opposes Supermarket General LBO

By an NHCN staff editor

WILMINGTON, Del. — The Dart Group, charging that Merrill Lynch Capital Partners violated a confidential trust, has filed an amended suit to prevent the investment banker from backing a buyout of Rickel Home Centers' parent, Supermarkets General (SGC).

In the latest of nine suits filed in Delaware's Chancery Court, the Dart Group alleges that the investment management team of SGC and its backers, Merrill Lynch, illegally formed a partnership to "thwart a fair auction."

Dart's complaint is similar to eight other complaints filed by shareholders to block the bid. In those suits, the shareholders charge that SGC directors violated their fiduciary duties when they constructed a poison pill to make a takeover unpalatable.

The poison pill provision gives SGC shareholders, under specified circumstances, the right to purchase shares of an acquiring company for half price if the raiding company acquires more than 20 percent of SGC's shares.

The Dart Group, a Landover, Md., chain operator of discount book stores and auto parts, made an unsolicited $1.6 billion bid to buy Supermarkets General in early March. But when the operators of SGC rebuffed the bid, the Dart Group sweetened the deal to $1.7 billion. Later, the Dart Group withdrew altogether when an investment management team—including Rickel president Chuck Davis—secured the backing of Merrill Lynch to buy the company for $1.8 billion and take it private.

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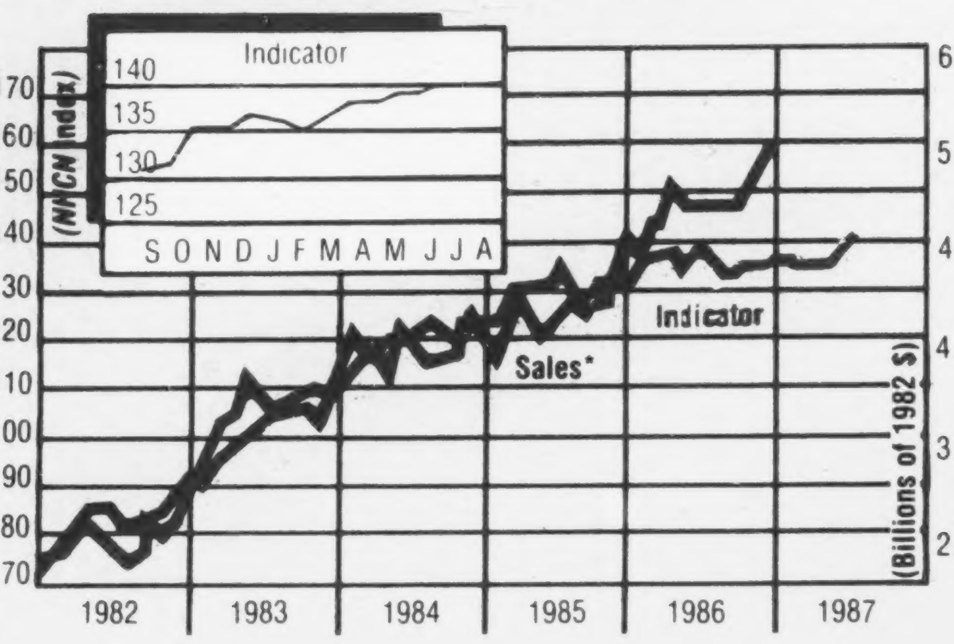
NHCN Leading Sales Indicator



*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN *Leading Indicator is projecting an increase in building material sales during 1987. Resales were strong at the end of 1986, although they fell in January. In the last two months, resales rebounded from the January lull.*

Collapse in oil prices weakens West South Central area sales

By Richard E. Mount
Special to NHCN

The contraction in domestic energy markets, brought about by the collapse in world oil prices in early 1986, is over. In its wake, however, most of the West South Central states, especially Oklahoma and Louisiana, remain very weak.

Retail building material sales in the West South Central states are likely to be up only one percent in 1987, after adjustment for inflation, well below the six percent gain that we anticipate for the nation.

Energy

Crude oil prices, on average, have stabilized at about $18 per barrel up from a low of $11. The OPEC agreement on production cutbacks is holding, and world oil consumption is up because of lower prices. For 1988, oil prices should advance to $19 per barrel if OPEC maintains current production levels.

Richard E. Mount

The rise in residual oil prices will increase domestic natural gas demand this year and next. Many utilities and manufacturing plants have burners that can use either oil or natural gas, and shift their consumption of energy materials to gas when the price of oil rises.

The firming in energy prices from the increase in demand for domestically produced energy, in conjunction with lower prices for

(Continued on page 13)

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

Home Center Industry Regional Outlook

		1985	1986				1987					
		QIV	QI	QII	QIII	QIV	QI	QII	QIII	1985	1986	1987
***NHCN* Leading Sales Indicator** (February 1980 = 100)		123.4	124.7	127.9	132.1	137.1	138.6	140.2	142.0	118.5	130.4	140.5
Building Material Retail Sales												
Current	**$ Millions SAAR** **Total United States**	59,224	63,708	65,344	65,684	67,380	69,340	71,739	73,930	55,695	65,529	73,072
	New England	3,477	3,492	3,854	4,210	4,151	4,285	4,390	4,517	3,038	3,927	4,477
	Middle Atlantic	8,306	8,324	8,926	9,261	9,325	9,569	9,878	10,151	7,269	8,959	10,046
	East North Central	9,048	8,096	9,699	10,014	10,761	11,129	11,550	11,932	8,381	9,642	11,777
	West North Central	4,000	3,541	4,049	4,413	4,656	4,778	4,936	5,086	3,747	4,165	5,033
	South Atlantic	11,837	13,871	13,442	12,394	14,042	14,464	14,986	15,466	11,262	13,437	15,273
	East South Central	3,182	3,513	3,633	3,757	4,036	4,209	4,376	4,539	2,964	3,735	4,471
	West South Central	6,041	6,817	6,355	5,975	6,549	6,684	6,916	7,112	6,090	6,424	7,033
	Mountain	2,763	3,256	2,962	2,997	3,308	3,405	3,515	3,615	2,674	3,131	3,577
	Pacific	8,322	10,269	9,659	10,087	10,552	10,817	11,191	11,511	8,377	10,142	11,386
Constant	**Millions $1982 SAAR** **Total United States**	55,870	59,791	63,069	62,522	62,793	63,790	65,150	66,475	52,705	62,044	66,054
	New England	3,280	3,603	3,948	3,895	3,868	3,942	3,987	4,062	2,882	3,829	4,047
	Middle Atlantic	7,836	8,243	8,823	8,678	8,691	8,803	8,971	9,127	6,895	8,609	9,082
	East North Central	8,536	9,572	9,990	9,935	10,028	10,238	10,489	10,729	7,951	9,881	10,645
	West North Central	3,773	4,274	4,396	4,345	4,339	4,395	4,482	4,573	3,555	4,338	4,550
	South Atlantic	11,167	12,093	13,074	12,992	13,086	13,307	13,610	13,907	10,683	12,811	13,806
	East South Central	3,002	3,400	3,690	3,695	3,761	3,872	3,974	4,082	2,812	3,637	4,041
	West South Central	5,699	6,478	6,307	6,190	6,103	6,149	6,280	6,395	5,777	6,270	6,357
	Mountain	2,607	2,915	3,059	3,057	3,083	3,132	3,192	3,251	2,536	3,029	3,233
	Pacific	7,851	9,214	9,782	9,735	9,833	9,951	10,163	10,350	7,946	9,641	10,293
Per Cent of U.S. Total												
Current	**Per Cent of U.S. Total ($Current)** **Total United States**	96.20	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
	New England	5.87	6.03	6.26	6.23	6.16	6.18	6.12	6.11	5.47	6.17	6.13
	Middle Atlantic	14.02	13.79	13.99	13.88	13.84	13.80	13.77	13.73	13.08	13.88	13.75
	East North Central	15.28	16.01	15.84	15.89	15.97	16.05	16.10	16.14	15.09	15.93	16.12
	West North Central	6.75	7.15	6.97	6.95	6.91	6.89	6.88	6.88	6.74	6.99	6.89
	South Atlantic	19.99	20.22	20.73	20.78	20.84	20.86	20.89	20.92	20.27	20.65	20.90
	East South Central	5.37	5.69	5.85	5.91	5.99	6.07	6.10	6.14	5.33	5.86	6.12
	West South Central	10.20	10.83	10.00	9.90	9.72	9.64	9.64	9.62	10.96	10.10	9.62
	Mountain	4.67	4.88	4.85	4.89	4.91	4.91	4.90	4.89	4.81	4.88	4.89
	Pacific	14.05	15.41	15.51	15.57	15.66	15.60	15.60	15.57	15.08	15.54	15.58
Industrial Production												
Index (1977 = 100)	Brick	88.6	92.7	91.1	93.9	95.8	92.4	91.1	90.9	88.5	93.4	91.6
	Cement	99.8	121.2	108.7	105.6	108.2	107.9	106.5	105.2	105.7	110.9	106.4
	Gypsum Wallboard	132.4	132.8	133.7	132.3	134.5	134.6	134.2	133.1	126.4	133.3	133.9
	Hardware	99.4	99.8	102.1	103.5	101.7	104.5	103.9	103.2	100.9	101.8	103.8
	Lumber Products	125.7	128.0	132.8	134.1	134.2	127.5	126.7	126.1	122.9	132.3	126.7
	Paint	100.2	100.6	103.0	100.1	93.8	107.2	107.9	108.4	101.9	99.4	108.1
	Plywood	142.9	149.6	161.4	164.3	158.2	157.2	156.2	154.4	138.7	158.4	155.4

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
June 1, 1987

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

Collapse in oil prices weakens West South Central area sales

(Continued from page 12)

equipment, have ended the drop in drilling activity.

In the first week of 1986, there were 1,915 drilling rigs in service, falling to 663 by July 1986. The count is currently running at 767, and is likely to approach 1,000 by the end of the year.

This means higher employment in the oil field and also increased production of oil field machinery and parts, a major industry in the West South Central states. Since January of this year, national employment in oil and gas mining rose from 412,000 to 424,000.

Regional conditions

Louisiana is the hardest hit in the region. Employment is down six percent from a year ago, new housing has dropped sharply—single-unit starts are down almost 50 percent from a year ago and, in five of the last 14 months, there were essentially no starts of apartments.

Oklahoma is the second worst market. Employment is down two percent from a year ago and single-unit starts off 50 percent. While manufacturing of energy machinery is a major industry, there is also a growing concentration in computers.

Texas employment is off only one percent from a year ago. Its economy is more diverse than Louisiana or Oklahoma, having larger centers for computer manufacturing, chemicals, communications, education facilities and finance.

Arkansas is the only state in the region that enjoys rising employment—up two percent from a year ago, but apartments are down as a result of the new tax law. Manufacturing is centered about food processing and electrical equipment, and energy plays a smaller role in the local economy.

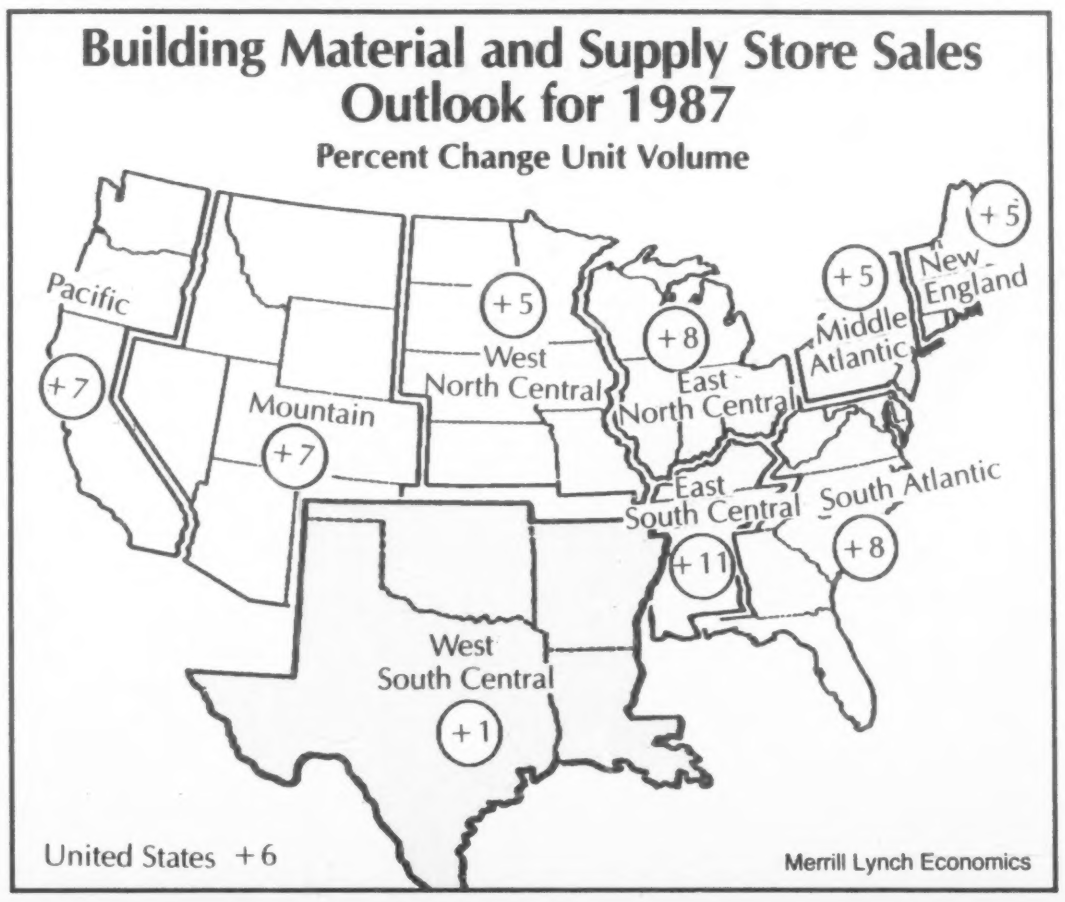
Resales provide strength

Resales held up in the region last year, declining only three percent, in spite of weakness in new housing and employment. Overbuilding and weak business conditions forced many homeowners to sell, or in some cases default, pushing the price of resales lower.

New home builders could not match this drop in price, so demand was increasingly concentrated in the resale market.

Sales to rise nine percent

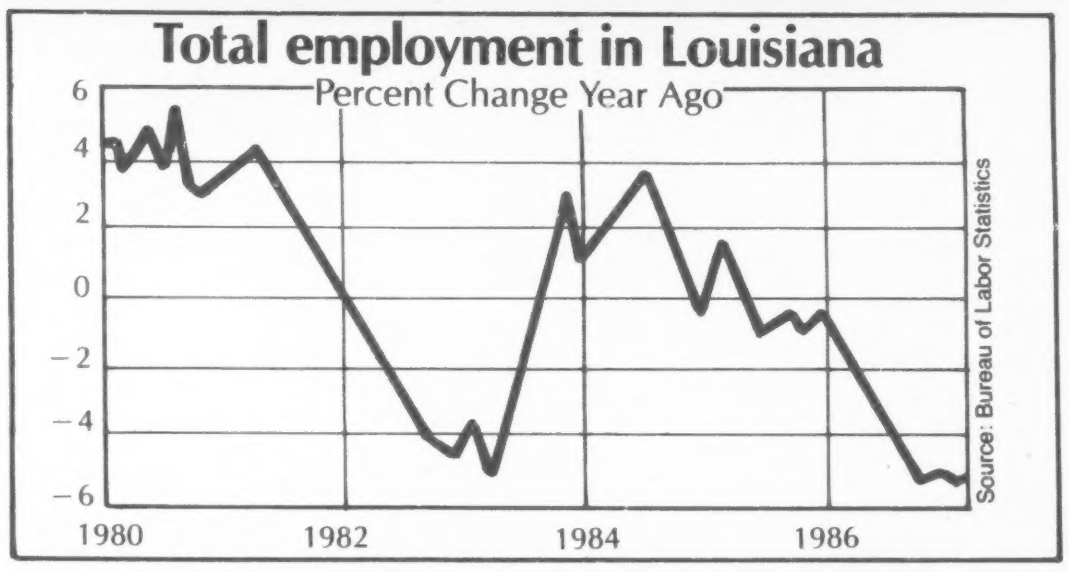
Building material sales in the West South Central states are expected to rise nine percent this year, one percent after adjustment for inflation. But, this will be below the six percent gain in unit volume anticipated for the nation. While employment and new housing have been weak in the region, except for Arkansas, the persistence of almost 340,000 resales per year will sustain retail building material sales in 1987.



Building Material and Supply Store Sales Outlook for 1987

Percent Change Unit Volume

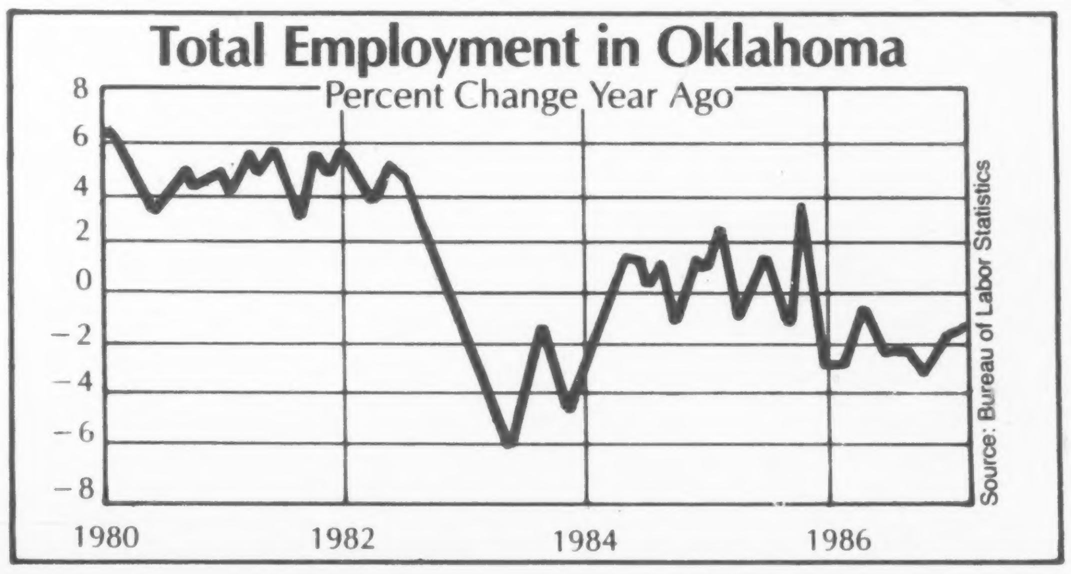
Merrill Lynch Economics



Total employment in Louisiana

Percent Change Year Ago

Source: Bureau of Labor Statistics



Total Employment in Oklahoma

Percent Change Year Ago

Source: Bureau of Labor Statistics

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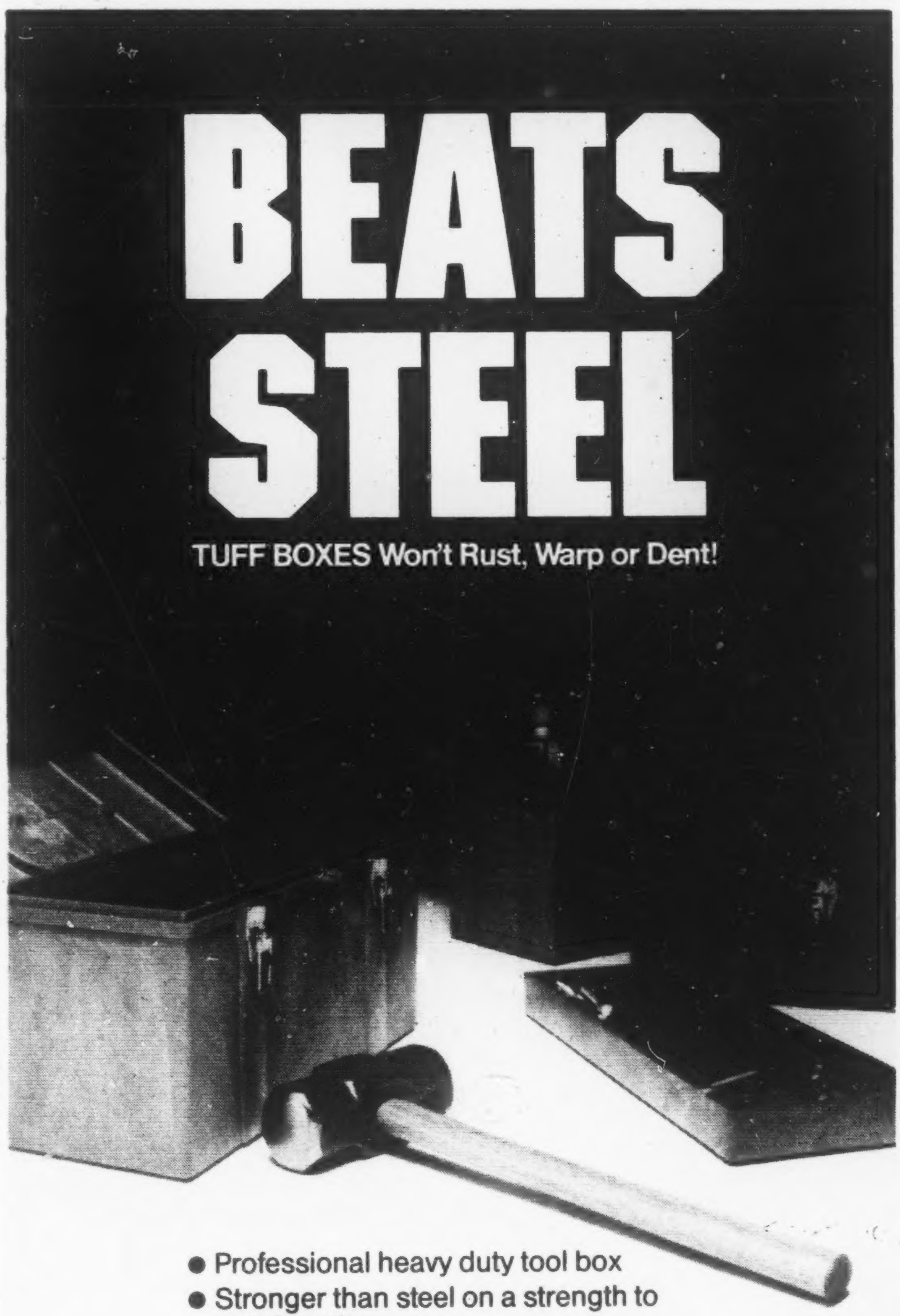

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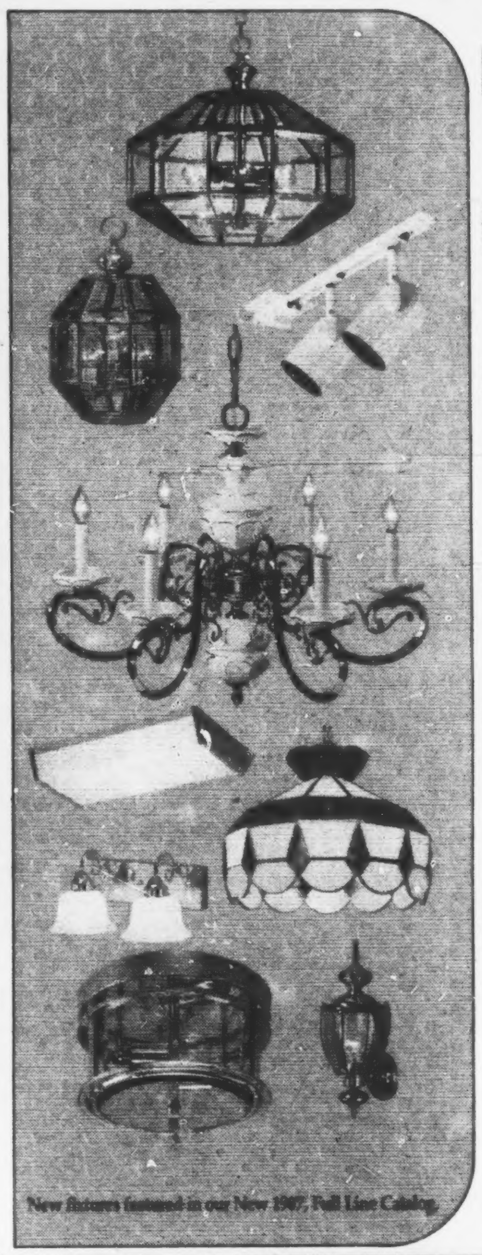

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